

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission file number 001-35158

Phoenix New Media Limited

(Exact name of Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

**Sinolight Plaza, Floor 16
No. 4 Qiyang Road
Wangjing, Chaoyang District,
Beijing 100102
People's Republic of China**

(Address of principal executive offices)

**Contact Person: Ms. Betty Yip Ho
Chief Financial Officer
(86 10) 6067-6869
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No. 4 Qiyang Road
Wangjing, Chaoyang District,
Beijing 100102
People's Republic of China**

* (Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares, each representing eight Class A ordinary shares	New York Stock Exchange, Inc.
Class A ordinary shares, par value \$0.01 per share*	New York Stock Exchange, Inc.

* Not for trading, but only in connection with the registration of American Depositary Shares representing such Class A ordinary shares pursuant to the requirements of the Securities and Exchange Commission.

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

None

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

None

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

253,250,854 Class A ordinary shares were outstanding as of December 31, 2015
317,325,360 Class B ordinary shares were outstanding as of December 31, 2015

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

Yes No

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

Yes No

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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

Yes No

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

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

U.S. GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

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

Item 17 Item 18

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

Yes No

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

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

Yes No

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PHOENIX NEW MEDIA LIMITED

FORM 20-F ANNUAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2015

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Conventions that Apply to this Annual Report on Form 20-F

In this annual report, unless otherwise indicated:

- “ADSs” refers to our American depositary shares, each of which represents eight 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. In June 2014, we started to operate an insignificant portion of our operations through three other PRC domestic companies, Beijing Chenhuan Technology Co., Ltd., Beijing Youjiuzhou Technology Co., Ltd., and Beijing Huanyou Tianxia Technology Co., Ltd., in which we do not own any equity interest, through contractual arrangements. We treat all of these five PRC domestic companies 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, but Beijing Chenhuan Technology Co., Ltd., Beijing Youjiuzhou Technology Co., Ltd. and Beijing Huanyou Tianxia Technology Co., Ltd. constitute insignificant subsidiaries as of the date of this annual report. As such, unless otherwise specified herein, references to “affiliated consolidated entities” in this annual report include Yifeng Lianhe and Tianying Jiuzhou only;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purposes of this annual report on Form 20-F only, Taiwan, Hong Kong and Macau;
- “Class A ordinary shares” refer to our Class A ordinary shares, par value US\$0.01 per share;
- “Class B ordinary shares” refer 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;
- “Fenghuang On-line” refers to Fenghuang On-line (Beijing) Information Technology Co., Ltd., a wholly foreign-owned PRC entity;
- “ordinary shares” refer to our Class A ordinary shares and Class B ordinary shares, collectively;
- “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 owned 55.6% of our share capital as of March 31, 2016.
- “Phoenix TV Group” refers to Phoenix TV and its subsidiaries, not including our company.
- “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;
- “Tianying Jiuzhou” refers to Beijing Tianying Jiuzhou Network Technology Co., Ltd., a PRC domestic company and one of our affiliated consolidated entities;
- “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 one of our affiliated consolidated entities.

This annual report contains statistical data that we obtained from various government and private publications, as well as a database issued by Shanghai iResearch Co., Ltd, a third-party PRC consulting and market research firm focused on Internet media markets. We have not independently verified the data in these reports and database. Statistical data in these publications also include projections based on a number of assumptions. If any one of the assumptions underlying the statistical data turns out to be incorrect, actual results may differ from the projections based on these assumptions.

Our ADSs are listed on the New York Stock Exchange under the symbol “FENG.”

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The selected consolidated financial data shown below should be read in conjunction with “Item 5. Operating and Financial Review and Prospects,” and the financial statements and the notes to those statements included elsewhere in this annual report on Form 20-F. The selected consolidated statements of comprehensive income data for the years ended December 31, 2013, 2014 and 2015 and the selected consolidated balance sheet data as of December 31, 2014 and 2015 have been derived from our audited consolidated financial statements, which are included elsewhere in this annual report on Form 20-F. The selected consolidated statements of comprehensive income data for the years ended December 31, 2011 and 2012 and the selected balance sheet data as of December 31, 2011, 2012 and 2013 have been derived from our audited financial statements not included in this annual report on Form 20-F. The historical results are not necessarily indicative of results to be expected in any future period.

	For the Years Ended December 31,					US\$
	2011	2012	2013	2014	2015	
	RMB	RMB	RMB	RMB	RMB	
(In thousands, except for number of shares and per share (or ADS) data)						
Consolidated Statements of Comprehensive Income Data						
Revenues:						
Net advertising revenues	465,824	610,160	863,737	1,190,158	1,226,516	189,342
Paid service revenues	484,768	500,844	560,738	447,702	382,680	59,076
Total revenues	950,592	1,111,004	1,424,475	1,637,860	1,609,196	248,418
Cost of revenues (1)	(554,676)	(631,299)	(696,355)	(781,632)	(829,386)	(128,035)
Gross profit	395,916	479,705	728,120	856,228	779,810	120,383
Operating expenses (1) :						
Sales and marketing expenses	(164,082)	(197,038)	(273,399)	(330,777)	(346,133)	(53,434)
General and administrative expenses	(77,078)	(106,736)	(97,849)	(137,818)	(183,989)	(28,403)
Technology and product development expenses	(69,021)	(91,292)	(108,683)	(149,996)	(170,714)	(26,354)
Total operating expenses	(310,181)	(395,066)	(479,931)	(618,591)	(700,836)	(108,191)
Income from operations	85,735	84,639	248,189	237,637	78,974	12,192
Other income	31,886	39,697	67,422	72,859	18,928	2,922
Income before tax	117,621	124,336	315,611	310,496	97,902	15,114
Income tax expense	(15,146)	(16,977)	(37,588)	(48,377)	(25,517)	(3,939)
Net income	102,475	107,359	278,023	262,119	72,385	11,175
Net loss attributable to noncontrolling interests	—	—	1,531	972	1,199	185
Net income attributable to Phoenix New Media Limited	102,475	107,359	279,554	263,091	73,584	11,360
Accretion to convertible redeemable preferred share redemption value	(773,623)	—	—	—	—	—
Income allocation to participating preferred shares	(6,172)	—	—	—	—	—
Net (loss)/income attributable to ordinary shareholders	(677,320)	107,359	279,554	263,091	73,584	11,360
Net income	102,475	107,359	278,023	262,119	72,385	11,175
Other comprehensive income, net of tax: fair value remeasurement for available-for-sale investments	—	—	—	40,283	15,869	2,450
Other comprehensive (loss)/income, net of tax: foreign currency translation adjustment	(33,968)	(1,979)	(23,179)	4,503	22,813	3,522
Comprehensive income	68,507	105,380	254,844	306,905	111,067	17,147
Comprehensive loss attributable to noncontrolling interests	—	—	1,531	972	1,199	185

Comprehensive income attributable to Phoenix New Media Limited	68,507	105,380	256,375	307,877	112,266	17,332
Net (loss)/income attributable to ordinary shares	(677,320)	107,359	279,554	263,091	73,584	11,360
Net (loss)/income per Class A and Class B ordinary share:						
Basic	(1.30)	0.17	0.46	0.44	0.13	0.02
Diluted	(1.30)	0.17	0.45	0.43	0.13	0.02
Net (loss)/income per ADS (1 ADS represents 8 Class A ordinary shares):						
Basic	(10.44)	1.38	3.69	3.52	1.03	0.16
Diluted	(10.44)	1.33	3.59	3.42	1.01	0.16
Weighted average number of Class A and Class B ordinary shares used in computing net (loss)/income per share:						
Basic	519,227,660	624,010,270	605,988,397	597,616,623	571,247,723	571,247,723
Diluted	519,227,660	643,748,146	622,420,459	614,620,110	580,785,256	580,785,256

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	For the Years Ended December 31,					
	2011	2012	2013	2014	2015	
	RMB	RMB	RMB	RMB	RMB	US\$
	(In thousands, except for number of shares and per share (or ADS) data)					
Non-GAAP gross profit	415,442	480,663	735,413	872,523	786,145	121,360
Non-GAAP income from operations	151,827	91,398	264,912	290,818	113,328	17,495
Non-GAAP net income attributable to Phoenix New Media Limited (2)	168,567	114,118	296,277	305,150	145,156	22,409

Notes:

(1) Includes share-based compensation as follows:

	For the Years Ended December 31,					
	2011	2012	2013	2014	2015	
	RMB	RMB	RMB	RMB	RMB	US\$
	(In thousands)					
Allocation of share-based compensation:						
Cost of revenues	19,526	958	7,293	16,295	6,335	978
Sales and marketing expenses	18,254	1,423	3,922	10,200	3,043	470
General and administrative expenses	17,470	4,085	3,662	20,927	21,836	3,371
Technology and product development expenses	10,842	293	1,846	5,759	3,140	485
Total share-based compensation included in cost of revenues and operating expenses	66,092	6,759	16,723	53,181	34,354	5,304

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(2) We define adjusted net income attributable to Phoenix New Media Limited, a non-GAAP financial measure, as net income attributable to Phoenix New Media Limited excluding share-based compensation, loss from equity investments including impairments, gain on disposition of subsidiaries and acquisition of equity investments, and gain on disposal of an equity investment and acquisition of available-for-sale investments. We believe that separate analysis and exclusion of the non-cash impact of share-based compensation, loss from equity investments including impairments, gain on disposition of subsidiaries and acquisition of equity investments, gain on disposal of an equity investment and acquisition of available-for-sale investments add clarity to the constituent parts of our performances. We review adjusted net income attributable to Phoenix New Media Limited together with net income attributable to Phoenix New Media Limited 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 and loss from equity investments including impairments, which have been and will continue to be significant recurring expenses in our business. However, the use of adjusted net income attributable to Phoenix New Media Limited has material limitations as an analytical tool. One of the limitations of using non-GAAP adjusted net income attributable to Phoenix New Media Limited is that it does not include all items that impact our net income attributable to Phoenix New Media Limited for the period. In addition, because adjusted net income 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 attributable to Phoenix New Media Limited in isolation from or as an alternative to net income attributable to Phoenix New Media Limited prepared in accordance with U.S. GAAP.

Our non-GAAP adjusted net income attributable to Phoenix New Media Limited is calculated as follows for the years presented:

	For the Years Ended December 31,					
	2011	2012	2013	2014	2015	
	RMB	RMB	RMB	RMB	RMB	US\$
	(In thousands)					
Net income attributable to Phoenix New Media Limited	102,475	107,359	279,554	263,091	73,584	11,360
Excluding:						
Share-based compensation	66,092	6,759	16,723	53,181	34,354	5,304

Loss from equity investments including impairments	—	—	—	18,538	41,861	6,462
Gain on disposition of subsidiaries and acquisition of equity investments	—	—	—	(29,660)	—	—
Gain on disposal of an equity investment and acquisition of available-for-sale investments	—	—	—	—	(4,643)	(717)
Non-GAAP adjusted net income attributable to Phoenix New Media Limited	168,567	114,118	296,277	305,150	145,156	22,409

As of December 31,						
2011	2012	2013	2014	2015		
RMB	RMB	RMB	RMB	RMB	US\$	

(In thousands)

Consolidated Balance Sheet Data

Cash and cash equivalents	397,166	916,169	845,138	1,285,847	310,669	47,959
Term deposits and short term investments	784,023	235,000	556,672	40,000	769,681	118,818
Accounts receivable, net	202,097	280,987	353,379	493,569	506,351	78,167
Total current assets	1,505,939	1,556,028	1,941,037	2,062,908	1,930,915	298,082
Total assets	1,564,494	1,681,167	2,056,760	2,326,830	2,567,206	396,308
Current liabilities	252,207	306,831	469,494	591,993	742,840	114,674
Total liabilities	257,711	314,827	481,725	610,172	762,520	117,713
Total shareholders' equity	1,306,783	1,366,340	1,575,035	1,716,658	1,804,686	278,595

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Currency Translation and Exchange Rates

We have translated certain Renminbi, or RMB, amounts included in this annual report on Form 20-F into U.S. dollars for the convenience of the readers. The rate we used for the translations was RMB6.4778 = US\$1.00, which was the noon buying rate on December 31, 2015 in New York for cable transfers in Renminbi as set forth in the H.10 weekly statistical release of the Federal Reserve Board. The translation does not mean that RMB could actually be converted into U.S. dollars at that rate. The following table shows the noon buying rate for RMB express in RMB per US\$1.00.

Period	Noon Buying Rate			
	Period End	Average	Low	High
	(RMB per US\$1.00)			
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2827	6.4896	6.1870
October	6.3180	6.3505	6.3591	6.3180
November	6.3883	6.3640	6.3945	6.3180
December	6.4778	6.4491	6.4896	6.3883
2016				
January	6.5752	6.5726	6.5932	6.5219
February	6.5525	6.5501	6.5795	6.5154
March	6.4480	6.5027	6.5500	6.4480
April (through April 22, 2016)	6.5004	6.4726	6.5004	6.4571

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

B. Capitalization and Indebtedness

Not required.

C. Reasons for the Offer and Use of Proceeds

Not required.

D. Risk Factors

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. Our ability to achieve and maintain profitability depends on, among other factors, the growth of the Internet advertising market and mobile Internet services 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 various paid services. 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.

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

In 2013, 2014, and 2015, we generated 60.6%, 72.7% and 76.2% 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 (including mobile and PC-based) 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 or mobile applications, 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 may not be successful in growing our mobile Internet related business and our revenue growth could be negatively impacted.

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.

If we are unable to successfully expand our mobile platform and increase our mobile advertising revenue, our business, results of operations and growth prospects could be materially affected.

Use of mobile devices for consumption of news and other media content by consumers in China has been increasing rapidly in recent years. This shift towards mobile has brought with it both challenges and opportunities. We encountered weaker demand for PC-based advertising in 2015 but achieved year-over-year growth in mobile advertising revenues during the same period. We see mobile devices as the primary gateway for news consumption going forward and our ability to maintain and increase our mobile advertising revenues will be critical to our future business prospects. While we are taking measures to expand our user base across our various mobile applications, optimize our targeting technology and integrate next-generation high-efficiency advertising solutions, there can be no assurance that these measures will be effective. User preferences and behaviors on mobile devices are rapidly evolving and we may not be able to successfully adapt to these changes. The variety of technical and other configurations across different mobile devices, platforms and applications also increases the challenges associated with our mobile expansion. Our operating expenses increased 13.3% from RMB618.6 million in 2014 to RMB700.8 million in 2015, one of the primary reasons was the increased mobile traffic acquisition expenses. Our mobile traffic acquisition expenses may continue to increase in the future which will adversely impact our financial results. If we cannot successfully grow our user base and capitalize on emerging monetization opportunities on mobile devices, we may not be able to maintain or grow our advertising revenues, which could materially and adversely affect our results of operations and growth prospects.

As part of our strategy to expand our mobile platform, we have made substantial investments in Particle Inc., or Particle, in the form of investments and loans. Particle operates Yidian Zixun (—), or Yidian, a personalized news and life-style information application in China that allows users to define and explore desired content on their mobile devices. As of December 31, 2015, we held an aggregate of approximately 46.95% of the equity interest in Particle on an as-if converted basis and paid a total cash consideration of US\$68.6 million and a number of our ordinary shares with fair value of US\$2.8 million. As of December 31, 2015, the carrying value of our investments in Particle was US\$79.3 million. In addition, on January 28, 2016, our board of directors authorized us to grant short-term unsecured loans to Particle in an aggregate principal amount of up to US\$20 million at an interest rate of 4.35% per annum and with a term of twelve months. We have granted all of US\$20 million loans to Particle as of the date of this annual report. While we do not have control over, and therefore do not consolidate Particle, we may consolidate Particle as a subsidiary once Yidian's user base reaches a certain level. We have also been collaborating closely with Particle in executing our mobile strategy. As such, if Yidian fails to grow its user base and expand its business, our efforts to expand our mobile platform may be materially and adversely affected, we may not be able to realize anticipated benefits from the option to consolidate Particle as a subsidiary, and we may lose our entire investments in Particle. In addition, if Particle engages in additional financing activities in the future, our

equity interest in Particle may be diluted and we may lose our option to consolidate Particle as a subsidiary. Any of the above could have a material adverse effect on our business, financial condition and results of operations.

Any failure to retain large advertising agencies or attract new agencies on reasonable terms could materially and adversely affect our business. If advertising agencies demand higher service fees, our gross margin may be negatively affected.

Approximately 80.9%, 74.3% and 73.4% of our net advertising revenues in China were derived from advertising agencies in 2013, 2014 and 2015, 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.

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We may experience continued decline in demand for our MVAS business and any expected economic benefits from this business may not be realized.

In 2013, 2014 and 2015, revenues from our mobile value-added services, or MVAS, accounted for 32.8%, 20.6% and 18.2%, respectively, of our total revenues. For more information about our MVAS, see "Item 4. Information of the Company — B. Business Overview — Our Channels and Services — Our Mobile Channel — MVAS." However, our MVAS business has a short operating history. As a result, there is limited financial data that can be used to evaluate our MVAS business and its potential to generate revenues in the future. In addition, we cannot assure you that we will be successful in developing our MVAS 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 MVAS that can achieve significant market acceptance, and improve our existing MVAS in a timely manner to extend their life spans and to maintain their competitiveness in the Chinese mobile market;
- develop and upgrade our technologies; and
- execute our MVAS business and marketing strategies successfully.

Due to the uncertainties of our MVAS business in particular and the MVAS industry in China generally, we cannot guarantee that our MVAS will contribute significantly to our future revenues. Any 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 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 new 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.

As devices other than personal computers, such as mobile phones, tablets and other Internet-enabled mobile devices, are increasingly used to access the Internet, we believe that we must develop products and applications for such devices if we are to maintain or increase our market share and revenues, and we may not be successful in doing so.

Devices other than personal computers, such as mobile phones, tablets, wearable devices and other Internet-enabled mobile devices, are used increasingly in China and in overseas markets to access the Internet. We believe that, for our business to be successful, we will need to design, develop, promote and operate new products and applications that will be compatible with such devices and attractive to users. The design and development of new products and applications may not be successful. We may encounter difficulties with the development and installation of such new products and applications for mobile devices, and such products and applications may not function smoothly. As new devices are released or updated, we may encounter difficulties in developing and upgrading our products or applications for use on mobile devices and we may need to devote significant resources to the creation, support and maintenance of such products or applications for mobile devices, and we may not be successful in doing so. If these efforts are unsuccessful and we are thereby unable to maintain or increase our market share and revenues, our business, results of operations and growth prospects could be materially and adversely affected.

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, Internet video companies, online video sites of major TV broadcasters, mobile news application operators, interactive and social network service providers, online and mobile gaming companies, mobile Internet services providers and other companies with strong media, online video and paid services 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 paid services 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.

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We have contracted with third-party content providers and we may lose users and revenues if these relationships deteriorate or arrangements are terminated. If third-party content providers increase their content licensing fees, our income from operations may be negatively affected.

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 or 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. License fees for third-party content showed an increasing trend in 2015. If such license fees continue to increase significantly in the future, our income from operations may be negatively affected. 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.

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 paid services business, 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. Considering the significant growth and changes in our business since execution of these agreements in 2009, we and Phoenix TV are working on a new set of agreements to amend and replace the existing agreements and provide the terms of our future cooperation. While each of the existing agreements would have expired in March 2016, we and Phoenix TV agreed to extend the expiration date of these agreements to May 27, 2016 so that we have more time to finalize the terms of the new agreements.

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 on May 27, 2016, and we expect they will be replaced by a set of new agreements between Phoenix TV and us. If the terms of the new agreements are not as favorable to us as the existing agreements, our business and results of operations may be adversely affected. If the existing agreements expire and we could not reach new agreements with Phoenix TV before the expiration, 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 paid services business, 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 will, unless extended further, expire on May 27, 2016, and we expect they will be replaced by a set of new agreements between Phoenix TV and us. If the terms of the new agreements are not as favorable to us as the existing agreements, our business and results of operations may be adversely affected. If the existing agreements expire and we could not reach new agreements with Phoenix TV before the expiration, 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.

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We provide our in-house produced content and user-generated content, or 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. For 2015, the annual service fee payment to Phoenix TV was RMB4.9 million. 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 on May 27, 2016, and we expect they will be replaced by a set of new agreements between Phoenix TV and us. If the terms of the new agreements are not as favorable to us as the existing agreements, our business and results of operations may be adversely affected. If the existing agreements expire and we could not reach new agreements with Phoenix TV before the expiration, 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.

On March 18, 2015, the State Administration of Taxation issued the *Circular on Enterprise Income Tax Issues concerning Disbursement of Expenses by Enterprises to Overseas Related Parties*, or SAT Circular 16, pursuant to which an enterprise, when making payments of fees to a related party overseas, shall abide by the arm's length principle and provide, as required by the competent tax authority, the contract or agreement that it has entered into with such related party, as well as relevant materials proving that such transaction is real and in compliance with the arm's length principle. SAT Circular 16 further lists several payment scenarios which are in contravention of the arm's length principle, including: (i) payments made to a related party that has not performed its functions, assumed any risks or engaged in any substantial business activities; (ii) payments of service fees made to a related party for its provision of services that cannot bring direct or indirect economic benefits to the payer; and (iii) payments of royalties made to a related party which merely owns the legal title to the relevant intangible assets that have not contributed to the payer's creation of values. Where such transaction is deemed to have failed to accord with the arm's length principle, the competent tax authority has the right to make taxation adjustments within ten years after the taxable year when the transaction is conducted. According to SAT Circular 16, payments made by our PRC subsidiaries and affiliated consolidated entities to Phoenix TV or its offshore affiliates under the above arrangements may be subject to stringent supervision by competent tax authority.

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" (凤凰) brand, with which our brand, "ifeng.com" (凤凰网) 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 we benefit 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 WeChat, 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 MVAS to newer services, such as mobile video streaming 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.

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Our lack of an Internet audio-visual program transmission license may expose us to administrative sanctions, including the banning of our paid mobile 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 Ministry of Culture, or the MOC, the Ministry of Industry and Information Technology, or MIIT, the General Administration of Press and Publication, Radio, Film and Television, or GAPPRT, 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 the State Administration of Radio, Film and Television (the predecessor of GAPPRT), or SARFT and MIIT on December 20, 2007, came into effect on

January 31, 2008 and was revised on August 28, 2015, 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 “Item 4. Information on the Company—B. Business Overview—Regulatory Matters—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 GAPPRT to apply for the Internet audio-visual program transmission license when the relevant regulation came into effect. However, as of the date of this annual report, GAPPRT 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 GAPPRT 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 GAPPRT or its applicable local counterpart in its discretion, the applicable local counterpart of GAPPRT 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 paid mobile 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 2015, approximately 81.2% 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 “Item 4. Information on the Company—B. Business Overview—Regulatory Matters—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 annual report, 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 2015, approximately 81.2% of our total revenues were derived from Internet information services and services that relied on Internet access services from third parties.

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If we fail to 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.

We are subject to reporting obligations under U.S. securities laws. Among other things, the United States Securities and Exchange Commission, or the SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, adopted rules requiring every public company, including us, to include a report from management on the effectiveness of its internal control over financial reporting in its annual report on Form 20-F starting in the annual report for its second fiscal year as a public company. In addition, beginning at the same time, an independent registered public accounting firm must attest to and report on the effectiveness of such public company’s internal control over financial reporting. We were subject to these requirements for the first time with respect to our annual report on Form 20-F for the fiscal year ended December 31, 2012.

As of December 31, 2015, our management has concluded that our internal control over financial reporting is effective. See “Item 15. Controls and Procedures—Management’s Annual Report on Internal Control over Financial Reporting.” Our independent registered public accounting firm has issued an attestation report, which has concluded that our internal control over financial reporting is effective as of December 31, 2015.

However, if we fail to maintain effective internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. This could in turn result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ADSs. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to maintain compliance with Section 404 and other requirements of the Sarbanes-Oxley Act.

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 mobile value added services revenues, or MVAS revenues, such as WVAS, mobile video, mobile digital reading, and mobile games from the provision of content or services 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 19.7% as of March 31, 2016 to deliver our services. In 2013, 2014 and 2015, we derived approximately 73.7%, 64.9% and 71.5%, respectively, of our paid service revenues from China Mobile. Within these revenues, we generated a portion through fixed fee arrangements with China Mobile for our digital reading services. The remainders of our MVAS revenues were 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 MVAS through their networks. These mobile operators could terminate cooperation with us or refuse to perform their obligations to pay for the MVAS 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. 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 MVAS 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 MVAS businesses going forward may be restricted by the business policies of China Mobile or other Chinese mobile operators. 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 or policies that could have a material adverse effect on our results of operation and financial condition, or limit our ability to grow our MVAS businesses in the future.

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Our operating results tend to be seasonal. For instance, we may generate less revenue from brand advertising sales and paid service revenues during national holidays in China, in particular during the Chinese New Year holidays in the first quarter of each year. 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 MVAS may not succeed or may be restricted or halted by telecommunications operators.

Cooperation with mobile service providers, which we refer to as our "channel partners," and mobile device manufacturers has provided us with important distribution channels for our MVAS businesses. We sell a certain amount of our premium content and services through our channel partners' platforms. In addition, we pre-install into the menus of certain mobile devices certain of our MVAS 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 MVAS icons and codes can access and subscribe to our services quickly and easily. Channel partners and mobile device manufacturers have, through our cooperation with them, become important distribution channels. However, we cannot assure you that we will continue to maintain a growing or stable number of suitable channel partners in the future. In addition, in recent years, China Mobile and other telecommunications operators have entered into cooperation agreements with mobile handset manufacturers similar to our agreements with mobile handset manufacturers. We cannot guarantee that mobile device manufacturers will continue their direct cooperation with us or maintain their current revenue sharing arrangements with us.

In addition, we cannot guarantee that MIIT or telecommunications operators will not restrict or halt our cooperation with handset manufacturers, or take other actions to limit or halt our use of mobile handsets as a distribution channel. Any such other actions could have a negative impact on our business and results of operations.

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 MVAS, 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 MVAS 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.

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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, in January 2010, China Mobile began implementing a 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 MVAS, 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 MVAS, any of which could have a material adverse effect on our financial condition and results of operations.

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

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

- China macro 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; and
- geopolitical events or natural disasters such as war, threat of war, earthquake or epidemics.

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Failure to obtain GAPPRT'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 GAPPRT for introducing and broadcasting foreign television programs into China. In September 2004, SARFT promulgated certain regulations of the *Administrative Regulations on the Introduction and Broadcasting of Foreign Television Programs*, pursuant to which only organizations designated by GAPPRT are qualified to apply to GAPPRT 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 "Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Regulation of Foreign Television Programs and Satellite Channels." As of the date of this annual report, we have not obtained an approval from GAPPRT 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 that we offer. If GAPPRT 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 "Item 4. Information on the Company—B. Business Overview—Regulatory Matters—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 are in the process of undertaking the necessary steps for preparing this application. We cannot assure you that we may be able to obtain the certificate and consent letter. Without them, 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, or fail to comply with PRC regulations, 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 the MOC (with a business scope covering operation of online games) and a Network Publication Service License from GAPPRFT 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 the MOC on June 3, 2010, an online mobile games operator should make a filing with the MOC in respect of each domestic game within 30 days of commencing operations. In addition, each online game must be screened by GAPPRFT by way of an approval process before it is first published and made publicly available. See “Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Regulation of Online Cultural Activities, Online Games and Internet Music.”

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Tianying Jiuzhou is currently operating our online game business. As of the date of this annual report, Tianying Jiuzhou and Yifeng Lianhe have obtained Online Culture Operating Permits from the MOC with respect to its operation of online games, and Tianying Jiuzhou has obtained an Internet Publication License from GAPPRFT with respect to books and periodicals published on the Internet, including the mobile Internet, and online and mobile games. Yifeng Lianhe has not obtained an Internet Publication License or a Network Publication Service License. In addition, we license almost all of our online and mobile games from other game operators and share profits with these game operators. We require these game operators to obtain the requisite approvals from GAPPRFT, and make the filings with the MOC, for relevant online and mobile games. As of the date of this annual report, we have not obtained advanced approval for some of our mobile games from GAPPRFT or completed filing with the MOC. We cannot assure you that (i) Yifeng Lianhe can obtain a Network Publication Service License; or (ii) we or such game operators can obtain all the required approvals and complete the relevant filing procedures with the relevant government authorities for each game we 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, GAPPRFT would have the ability to withdraw the Internet Publication License that it 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.

In addition, the MOC and the Ministry of Commerce, or MOFCOM, jointly issued in 2009 the *Notice on Strengthening the Administration of Online Game Virtual Currency*, or the Virtual Currency Notice, which requires online game operators to report the total amount of their issued virtual currency on a quarterly basis, and game operators are prohibited from issuing disproportionate amounts of virtual currency in order to generate revenues. The Virtual Currency Notice also reiterates that virtual currency can only be provided to users in exchange for an RMB payment and can only be used to pay for virtual goods and services of the issuers. We provide extra free virtual currencies to game users as they buy virtual currencies, which is not in compliance with the Virtual Currency Notice. Therefore, we may be ordered to remedy such noncompliance within the timeframe specified by the MOC or MOFCOM. If we fail to remedy any noncompliance within the specified timeframe, the MOC and MOFCOM would have the power to, among other things, levy fines against us, confiscate our income and order us to cease certain services.

Our affiliated consolidated entities and their respective shareholders do not own all 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 affiliated consolidated 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, and, as of March 31, 2016, owned six registered trademarks that were transferred to it from Phoenix Satellite Television Trademark Limited. Yifeng Lianhe owned 20 registered trademarks, and both of our affiliated consolidated entities continue to use certain of Phoenix TV’s logos that are licensed from Phoenix Satellite Television Trademark Limited, a wholly owned subsidiary of Phoenix TV, in their value-added telecommunications services. Therefore, we are not currently in compliance with the MIIT 2006 Notice.

We have designed propriety logos for use in the respective businesses of Tianying Jiuzhou and Yifeng Lianhe. As of March 31, 2016, Tianying Jiuzhou owned 97 PRC registered trademarks, six of which were transferred from Phoenix Satellite Trademark Limited, and Yifeng Lianhe owned 20 PRC registered trademarks. In addition, Tianying Jiuzhou had submitted 22 registration applications relating to 10 logo designs, and Yifeng Lianhe had submitted one registration application relating to one logo design, to the PRC Trademark Office. Despite our having registered many trademarks used in our value-added telecommunications business operations, we may continue to use certain of Phoenix TV’s logos that are licensed from Phoenix Satellite Television Trademark Limited.

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Although, neither of our affiliated consolidated 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 fail 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.

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 and mobile applications 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, the General Administration of Press and Publication (the predecessor of GAPPRT), or 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 MOFCOM, or MIIT, will support GAPPRT in enforcing such prohibition.

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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.

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 and mobile applications.

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 and mobile applications 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 and mobile applications. We have a content screening team of 49 editors who are responsible for monitoring and preventing the public release of inappropriate or illegal content, including UGC, on our websites and mobile applications or through our services. Although we have adopted internal procedures to monitor the content displayed on our websites and mobile applications, 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 content from being displayed on our websites and mobile applications 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. GAPPRT or other Chinese government authorities may prohibit the marketing of other MVAS 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 and mobile applications 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 and mobile applications. 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.

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Advertisements on our website and mobile applications 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 and mobile applications 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 or mobile application posting, such as advertisements relating to medical treatment, pharmaceuticals, medical instruments, agrochemicals, veterinary pharmaceuticals and health food, 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. On April 24, 2015, the Standing Committee of the National People's Congress issued the Advertisement Law, which took effect on September 1, 2015, to further strengthen the supervision and management of advertisement services. Pursuant to the Advertisement Law, any advertisement that contains false or misleading information to deceive or mislead consumers shall be deemed false advertising. Furthermore, the Advertisement Law explicitly stipulates detailed requirements for the content of several different kinds of advertisement, including advertisements for medical treatment, pharmaceuticals, medical instruments, health food, alcoholic drinks, education or training, products or services having an expected return on investment, real estate, pesticides, feed and feed additives, and some other agriculture-related advertisement. We may be subject to enhanced supervision and more serious penalties in case of a violation (if any) pursuant to such new Advertisement Law. To fulfill these monitoring functions, we include clauses in most 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 or mobile applications, 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 eliminate the effect of illegal advertisement. PRC governmental authorities may even force us to terminate our advertising operation or revoke our licenses in circumstances involving serious violations.

A majority of the advertisements shown on our website and mobile applications 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 posts false or fraudulent advertisements related to the life and health of the consumers, or who knows or should have known other kind of posted advertisement is false or fraudulent will be subject to joint and several liabilities. Under the *Detailed Implementation Rules on the Administrative Regulations for Advertisement*, a website or mobile application 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 mobile applications 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 and mobile applications, 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.

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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 president, Ms. Betty Yip Ho, our chief financial officer, Ms. Shu Liu, our senior vice president and Mr. Andy Jin Xu, our senior vice president. 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 and a non-compete agreement with us. 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.

We adopted a share option plan in June 2008 and a restricted share and restricted share unit plan in March 2011. As of March 31, 2016, 2,708,503 contingently issuable shares and options to purchase 42,271,395 Class A ordinary shares were outstanding. See “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors, Supervisors and Executive Directors—Share Incentive Plans”. For the years ended December 31, 2013, 2014 and 2015, we recorded RMB16.7 million, RMB53.2 million and RMB34.4 million (US\$5.3 million), respectively, in share-based compensation. We believe the granting of share-based awards 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. We intend to grant additional stock options to our employees going forward, which we expect will further increase our share-based compensation. If we continue to grant share options in the future, our share-based compensation will increase accordingly.

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 and mobile applications, 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. We license our premium licensed content from third parties. We also derive profits from online and mobile games that are based on intellectual property licensed to us by third parties. Although our license agreements with our licensors generally 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 penalties imposed by competent government authorities, 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, 2015 to March 31, 2016, we have been subject to 44 cases in the PRC, 34 of which have been concluded. Government authorities may also impose administrative penalties on us if they find that we have infringed third parties' intellectual property rights. In October 2015, the National Copyright Bureau imposed a fine of RMB250,000 on one of our consolidated affiliated entities for disseminating on our website and mobile applications one literature work that we licensed from third parties that were alleged to have no legal rights to license such work. For more information, see “Item 4. Information on the Company—B. Business Overview—Legal and Administrative Proceedings”.

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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.

Moreover, as we continue to hire additional personnel to expand our product development teams, we may be subject to allegations and claims that some of our new employees may have disclosed trade secrets or other proprietary information of their former employers to us, especially when such employees were previously employed by our competitors or companies with similar businesses as ours. Any such allegation or claim, even if unfounded, could have a negative impact on our reputation, and our financial condition and results of operations may suffer as a result.

We cannot assure you that we have 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. 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.

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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 an 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 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, 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 HNTEs in Science & Technology Park of Haidian District. Therefore, Fenghuang On-line was entitled to a 50% reduction of its applicable tax rate to 7.5% from 2009 to 2011. In 2011 and 2014, Fenghuang On-line resubmitted applications for qualification as an HNTE, which were approved in October 2011 and November 2014, respectively. Therefore, Fenghuang On-line is eligible for a 15% income tax rate for years 2012 to 2016. See “Item 10. Additional Information—E. 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 mobile applications 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.

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

The global financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and is facing new challenges, including the escalation of the European sovereign debt crisis since 2011. While leading European nations have implemented a series of financial support measures, it is still unclear whether the European debt crisis can be contained and what effects it may have.

Economic conditions in the PRC are sensitive to macroeconomic conditions. In part due to lower export demand resulting from slow economic recoveries in the United States and Europe and a weak economic environment in Japan, China's GDP growth decelerated since 2012. China's year-over-year GDP growth rate in 2015, 6.9%, slowed from 7.4% in 2014 and 7.7% in 2013. In addition, there is uncertainty regarding the scale and the effects of a real estate bubble alleged by some to have reached a critical stage in the PRC. Since demand for our paid and advertising services are sensitive to macro-economic conditions globally and in the PRC, our business prospects may be affected by the macroeconomic environment. Any prolonged slowdown in the global or PRC economy may have a material adverse effect on our business, results of operations and financial condition, and continued turbulence in the international markets may materially and adversely affect our ability to access the capital markets to meet liquidity needs.

PRC regulations establish complex procedures for certain acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

On August 8, 2006, six PRC regulatory authorities, including the CSRC, jointly promulgated the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, or the 2006 M&A Rules, which were later amended on June 22, 2009. The 2006 M&A Rules establish procedures and requirements that could make some acquisitions of PRC companies by foreign investors more time-consuming and complex, including requirements in some instances that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, national security review rules issued by the PRC governmental authorities in 2011 require acquisitions by foreign investors of domestic companies engaged in military related or certain other industries that are crucial to national security to be subject to prior security review. According to the MOFCOM Security Review Rules, a security review is required for mergers and acquisitions of PRC domestic enterprises by foreign investors (i) having “national defense and security” concerns, and (ii) where the foreign investors may acquire the “de facto control” of the PRC domestic enterprises having national security concerns such as key farm products, key energy and resources, and key infrastructure, transportation, technology and major equipment manufacturing industries. Circular No. 6, however, does not define the term of “key” or “major,” nor has it exhausted all the industries that may be deemed as sensitive industries subject to the security review.

We may expand our business in part by acquiring complementary businesses. Complying with the requirements of the 2006 M&A Rules, the MOFCOM Security Review Rules, if applicable, and other PRC regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. However, it is also uncertain whether the 2006 M&A Rules, the MOFCOM Security Review Rules or the other PRC regulations regarding the acquisitions of PRC companies by foreign investors will be materially repealed or amended should MOFCOM’s proposed *Foreign Investment Law*, or the Draft FIL, become effective in the future. Any adverse change in rules or regulations may have a material adverse effect on our business and results of operations.

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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, 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 “Item 10. Additional Information—E. 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 “Item 10. Additional Information—E. 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 “Item 10. Additional Information —E. 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.

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.

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Failure of our business strategies through our subsidiaries, affiliates and other business alliance partners could negatively affect our financial condition, results of operations and reputation.

Aligned with our business strategies, we have made and may undertake in the future investments in subsidiaries, affiliates and other business alliance partners in various Internet-related businesses.

In March 2014, IDG-Accel China Growth Fund III L.P. and IDG-Accel China III Investors L.P., or the IDG-Accel Funds, acquired US\$3.0 million convertible preferred shares of Phoenix FM Limited, previously a subsidiary of the Company, to accelerate development of the ifeng application business. Despite holding 100% of Phoenix FM Limited's ordinary shares, we account for our investment in Phoenix FM Limited as an equity investment since we do not control Phoenix FM Limited due to substantive participating rights that have been provided to the IDG-Accel Funds. As of December 31, 2015, the carrying value of our equity investment in Phoenix FM was nil.

In 2014, we invested approximately RMB4.5 million in Shenzhen Fenghuang Jingcai Network Technology Co., Ltd, or Fenghuang Jingcai, a company engaged in online lottery ticket distribution, and hold 45.06% equity interest of the company. Since March 2015, Fenghuang Jingcai had suspended all of its online lottery ticket distribution businesses and had not generated any revenue, in response to the Notice related to Self-Inspection and Self-Remedy of Unauthorized Online Lottery Sales, or the Self-Inspection Notice, which was jointly promulgated by the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sports of the People's Republic of China. Our management believes that the regulatory change brought about by the Self-Inspection Notice will continue to have negatively influence to the cash flows of Fenghuang Jingcai in the future, and that the carrying value of Fenghuang Jingcai may not be fully recoverable. In December 2015, we recorded RMB3.2 million impairment loss for our equity investment in Fenghuang Jingcai. As of December 31, 2015, the carrying value of our equity investment in Fenghuang Jingcai was nil.

As of December 2015, we held an aggregate of approximately 46.95% of the equity interest in Particle on an as-if converted basis and paid a total cash consideration of US\$68.6 million and a number of our ordinary shares with fair value of US\$2.8 million. As of December 31, 2015, the carrying value of our investment in Particle was US\$79.3 million. Particle owns the mobile application Yidian, a personalized news and life-style information application in China, which allows users to define and explore desired content over mobile devices. On January 28, 2016, our board of directors authorized us to grant short-term unsecured loans to Particle in an aggregate principal amount of up to US\$20 million at an interest rate of 4.35% per annum and with a term of twelve months. We have granted all of US\$20 million loans to Particle as of the date of this annual report.

In December 2014, we lost control over Beijing Fenghuang Tianbo Network Technology Co., Ltd., or Tianbo, a previously consolidated subsidiary, as the result of disposition of certain equity interest of Tianbo. As we have significant influence over financial and operating decision-making after deconsolidation, we account for the retained 50% equity interests by using the equity method of accounting. Tianbo is principally engaged in exclusive operation of the real property channel and exclusive sales of real property advertisements for ifeng.com.

In January 2015, in order to leverage our brand, content platform and large user base to expand into more entertainment related businesses, one of our affiliated consolidated entities established a new subsidiary, Shanghai Meowpaw Info&Tech Co., Ltd., or Meowpaw. Meowpaw plans to engage in creating intellectual properties and related games, books, movies and animations. Meowpaw will apply for the necessary licenses and permits when required. We provided RMB34.0 million financial support to Meowpaw to fund its operations.

In January 2015, we acquired 5% equity interest of Beijing Phoenix Lilita Information Technology Co., Ltd., or Lilita, from a family member of the chairman of Phoenix TV, for an aggregate purchase price of RMB0.5 million. Lilita is principally engaged in P2P lending and reward-based crowd-funding businesses.

In February 2015, we invested approximately RMB4.5 million in Hangzhou Qike Technology Co., Ltd., or Hangzhou Qike, a company engaged in providing risk management and credit control based on big data analysis and the provision of financial applications to enterprises and eventually directly to individual customers. We hold 45% equity interest of the company.

In April 2015, we acquired 0.3% equity interest of Lifeix Inc., an Internet company that operates L99.com and Lifeix.com, for an aggregate purchase price of US\$1.0 million. In December 2015, in view of business performance and near-term business outlook of Lifeix Inc. that were below our previous expectation, based on the other-than-temporary impairment assessment, we recorded an impairment loss of US\$1.0 million (RMB6.4 million) to write down the equity investment.

It is uncertain whether we will receive the expected benefits from these investments, due to any adverse regulatory changes, worsening of economic conditions, increased competition or other factors that may negatively affect the related business activities.

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We account for some of our investments in affiliates under the equity method. Therefore, net losses incurred by equity method investees may cause us to record our share of the net losses. Furthermore, we may lose the capital which we have invested in affiliates and other business alliances or may incur impairment losses on securities acquired in such alliances. While we do not have such arrangements in place, we may in the future be required under contractual or other arrangements to provide financial support, including credit support and equity investments, to our business alliance partners in the future. Additionally, we may also incur credit costs from our credit exposure to such business alliance partners. If there is any negative news coverage about our business alliance partners, our reputation may also be harmed as a result of our affiliation with them.

Particle operates Yidian, a personalized news and life-style information application in China, which allows users to define and explore desired content over mobile devices. As Yidian links to news contents provided by third parties, we may face the risk of being subject to copyright infringement claims. See "Item 3. Key Information—D. 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 and mobile applications, 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."

We may also have conflicts of interests with some of the affiliated companies we have invested in. Certain of our board members and executive officers hold directorship and/or senior management positions and own shares, restricted share units and/or options in these affiliated companies. For example, Mr. Shuang Liu, our director and chief executive officer, also serves as the chairman of Particle, and Mr. Ya Li, our director and president, also serves as the

director and chief executive officer of Particle. Both Mr. Shuang Liu and Mr. Ya Li have been granted options by Particle as incentive share compensation. These affiliated companies 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 these affiliated companies and us. In addition, we do not have a non-compete agreement with most of these affiliated companies and therefore neither we nor they are prohibited from entering into competition with each other in respect of our respective current businesses or new businesses. We may not be able to resolve potential conflicts, and even if we do so, the resolution may be less favorable to us than if we were dealing with unrelated parties.

Some of the businesses we have invested in are subject to intensive regulation. As a result of such regulations which are beyond our control, our business strategies may fail. For example, Fenghuang Jingcai suspended all of its businesses operation in 2015 due to changes in regulations of online lottery ticket distribution business in China, and we recorded RMB3.2 million impairment loss for our equity investment in Fenghuang Jingcai in 2015. Similar adverse regulatory change may have a material adverse impact on the business and financial performance of our subsidiaries, affiliates and other business alliance partners. Furthermore, unanticipated costs and liabilities may be incurred in connection with those business strategies, including liabilities from the claims related to the businesses prior to our business alliances, and cost from actions by regulatory authorities.

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Risks Relating to Our Corporate Structure

Phoenix TV (BVI) owns our Class B ordinary shares with 1.3 votes per share, 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, owned 55.6% of our total issued and outstanding shares as of March 31, 2016. Moreover, all shares held by Phoenix TV (BVI) are Class B ordinary shares with 1.3 votes per share. As a result, Phoenix TV (BVI) held 62.0% of the total voting power of our ordinary shares as of March 31, 2016. Accordingly, Phoenix TV (BVI), and Phoenix TV through Phoenix TV (BVI), 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, and also hold senior management positions 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, owns Class B ordinary shares, each of which will be entitled to 1.3 votes on all matter subject to shareholders' vote, and we 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.

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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 businesses. Specifically, pursuant to the *Regulations for Administration of Foreign-Invested Telecommunications Enterprises* issued by the State Council 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 affiliated consolidated 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 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 affiliated consolidated entities and consolidate their results. For a detailed discussion of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational 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. For example, it is uncertain that how the Draft FIL, should it come in force, or its implementation rules, may impact the viability of our current corporate structure in the future. See “Item 3 Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the Draft FIL and how it may impact the viability of our current corporate structure, corporate governance and business operations.” 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 or mobile application, 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.

In August 2011, MOFCOM promulgated the *Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, or the MOFCOM Security Review Rules, to implement the *Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* promulgated on February 3, 2011, or Circular No. 6. The MOFCOM Security Review Rules came into effect on September 1, 2011 and replaced the *Interim Provisions of MOFCOM on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* promulgated by MOFCOM in March 2011. According to these circulars and rules, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises having “national security” concerns. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review, MOFCOM will look into the substance and actual impact of the transaction. The MOFCOM Security Review Rules further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that our online game business falls into the scope subject to the security review, and there is no requirement for foreign investors in those mergers and acquisitions transactions already completed prior to the promulgation of Circular No. 6 to submit such transactions to MOFCOM for security review. As we have already obtained the “de facto control” over our variable interest entities prior to the effectiveness of these circulars and rules and our current business would not have concerns on “national defense and security” or “national security,” we do not believe we are required to submit our existing contractual arrangement to MOFCOM for security review. However, as there is a lack of clear statutory interpretation on the implementation of these circulars and rules, there is no assurance that MOFCOM will have the same view as we do when applying.

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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 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 businesses. The shareholders of our affiliated consolidated entities are individuals who are PRC citizens. Since we are over 80% 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, Ms. 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.

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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, 2015, Fenghuang On-line's restricted reserves totaled RMB60.1 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.

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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. On February 3, 2015, the State Administration of Taxation issued the Notice on Several Issues regarding Enterprise Income Tax for Indirect Property Transfer by Non-resident Enterprises, or SAT Circular 7, which further specifies the criteria for judging reasonable commercial purpose, and the legal requirements for the voluntary reporting procedures and filing materials in the case of indirect property transfer. SAT Circular 7 has listed several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. However, despite these factors, an indirect transfer satisfying all the following criteria shall be deemed to lack reasonable commercial purpose and be taxable under the PRC laws: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gains derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the scope of the safe harbor under SAT Circular 7 may not be subject to PRC tax and such safe harbor includes qualified group restructuring, public market trading and tax treaty exemptions. Under SAT Circular 7, the entities or individuals obligated to pay the transfer price to the transferor shall be the withholding agent and shall withhold the PRC tax from the transfer price. If the withholding agent fails to do so, the transferor shall report to and pay the PRC tax to the PRC tax authorities. In case neither the withholding agent nor the transferor complies with the obligations under SAT Circular 7, other than imposing penalties such as late payment interest on the transferors, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent, provided that such penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

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.

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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 significantly affected by economic, political, social and legal developments in China, and by continued growth in China as a whole. 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.

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.

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 or contain 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. In addition, in the past the PRC government has implemented certain measures, including increases in interest rates and the reserve requirement ratio of the People's Bank of China, or the PBOC, to control the pace of growth.

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. For instance, on January 19, 2015, the MOFCOM published the Draft FIL on its official website for public comments. The Draft FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in alignment with international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments, and thus the Draft FIL will have a far-reaching and significant impact upon foreign investments by fundamentally reshaping the entire PRC foreign investment regulatory regime. See “Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Draft Foreign Investment Law”. There is no definitive timeline for this law to be officially promulgated by the PRC legislature and the current draft may need to undergo significant amendment before the law is finally passed. Accordingly, substantial uncertainties still exist with respect to the enactment timetable, interpretation and implementation of this new law. As a result, we may not be aware of how it may impact the viability of our current corporate structure, corporate governance and business operations. These uncertainties could limit the legal protections available to us and other foreign investors. 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. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of foreign currencies. As a result, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Since July 2008, however, the Renminbi has traded within a narrow range against the US dollar. On June 20, 2010, the People’s Bank of China announced that the PRC government would further reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. In April 2012, the People’s Bank of China announced that it would expand the floating range of the trading price of the Renminbi against the U.S. dollar from 0.5% to 1.0%. In March 2014, the People’s Bank of China announced that it would further expand the floating range of the trading price of the Renminbi against the U.S. dollar from 1.0% to 2.0%. Although it is difficult to predict how Renminbi exchange rates may change going forward, a more flexible currency policy could result in more significant fluctuation in the exchange rate of 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 will receive from any offshore financing that we may undertake in the future 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 or commercial reasons, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. We recorded foreign exchange gain of RMB19.7 million in 2013, foreign exchange loss of RMB6.1 million and RMB1.1 million in 2014 and 2015, respectively, primarily due to the RMB appreciation or depreciation against the U.S. dollar. Our results of operations are sensitive to changes in exchange rates of the Renminbi. Future fluctuations that are adverse to us could have a material adverse effect on our results of operation, financial condition or liquidity.

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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 annual report.

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.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the net proceeds from any offshore financing that we may undertake in the future to make loans or additional capital contributions to our PRC subsidiaries and affiliated consolidated entities.

In utilizing the net proceeds from our initial public offering, as an offshore holding company of our PRC subsidiaries and affiliated consolidated entities, we may make loans to our PRC subsidiaries and affiliated consolidated entities, or we may make additional capital contributions to our PRC subsidiaries. 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 subsidiaries, 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 subsidiaries by means of capital contributions. These capital contributions must be approved by MOFCOM 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 subsidiaries or any of the affiliated consolidated entities. If we fail to receive such registrations or approvals, our ability to use the net proceeds from our initial public 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. As to the latest development, on March 30, 2015, SAFE issued the *Circular on the Management Concerning the Reform of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises*, or SAFE Circular 19, which became effective on June 1, 2015 and replaced SAFE Circular 142. Pursuant to SAFE Circular 19, up to 100% of foreign currency capital of foreign-invested enterprise may be converted into RMB capital according to the actual operation of the enterprise within the business scope at its will and the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may be used for equity investments within the PRC. However, under SAFE Circular 19, RMB capital converted from foreign currency registered capital of a foreign-invested company still may not in any case be used to advance the RMB entrusted loan or repay RMB loans if the proceeds of such loans have not been used. As such, if we engage in any offshore financing in the future and convert the net proceeds we may receive from such financing into Renminbi and repatriate these funds into China pursuant to SAFE Circular 19, our use of Renminbi funds will need to be for purposes within the approved business scope of our PRC subsidiaries, which may limit our ability to deploy our funds in the most desirable manner.

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If the PRC government finds that our PRC beneficial owners are subject to the SAFE registration requirement under SAFE Circular 37 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 subsidiaries may be limited, our PRC subsidiaries' ability to distribute profits to us may be limited, or our business may be otherwise materially and adversely affected.

On July 4, 2014, SAFE issued the *Circular on Several Issues Concerning Foreign Exchange Administration of Domestic Residents Engaging in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles*, or SAFE Circular 37, which became effective on the same date. SAFE Circular 37 and its detailed guidelines require PRC residents to register with the local branch of SAFE before contributing their legally owned onshore or offshore assets or equity interest into any special purpose vehicle, or SPV, directly established, or indirectly controlled, by them for the purpose of investment or financing; SAFE Circular 37 further requires that when there is (i) any change to the basic information of the SPV, such as any change relating to its individual PRC resident shareholders, name or operation period or (ii) any material change, such as increase or decrease in the share capital held by its individual PRC resident shareholders, a share transfer or exchange of the shares in the SPV, or a merger or split of the SPV, the PRC resident must register such changes with the local branch of SAFE on a timely basis. See “Item 4. Information on the Company—B. Business Overview—Regulatory Matters—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 37 and the relevant implementing rules do not apply to our PRC subsidiaries 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 37; (ii) none of the former or current shareholders of our PRC affiliated consolidated entities established or acquired interest in our company by injecting the assets of, or equity interest in, our affiliated consolidated entities; and (iii) before the public listing of our ADSs, 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 37 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 subsidiaries to fines or legal sanctions, restrictions on our cross-border investment activities or our PRC subsidiaries' 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 stock incentive plans may subject the plan participants or us to fines and other legal or administrative sanctions.

Under the applicable PRC regulations, “domestic individuals” (including both PRC residents and non-PRC residents who reside in the PRC for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) who participate in employee stock plans or stock option plans of an overseas publicly-listed company are required to register with SAFE and complete certain other procedures. If a domestic individual participates in any stock incentive plan of an overseas listed company, a qualified PRC domestic agent, which can be the PRC subsidiaries of such overseas listed company, shall, among other things, file, on behalf of such individual, an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan, and obtain approval for an annual allowance with respect to the foreign exchange conversion in connection with the stock purchase or stock option exercise. 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 domestic agent before distribution to such individuals. See “Item 4. Information on the Company—B. Business Overview—Regulatory Matters—SAFE Regulation on Stock Incentive Plan.” We and our employees who are “domestic individuals” participating in stock incentive plans are subject to these regulations. If we or such employees fail to comply with these regulations, we or such employees may be subject to fines and other legal or administrative sanctions.

The approval of the China Securities Regulatory Commission, or the CSRC, may have been required in connection with our initial public offering. 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.

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;
- Fenghuang On-line was incorporated indirectly by Phoenix TV, a Hong Kong-listed company, rather than an SPV as defined under the 2006 M&A Rules; and
- Fenghuang On-line 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 Fenghuang On-line 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 our initial public 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.

We cannot predict when the CSRC may promulgate additional rules or other guidance, if at all. 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 MOFCOM 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 MOFCOM 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 MOFCOM’s approval is unclear.

Our PRC legal counsel has advised us that an approval from MOFCOM is not required under 2006 M&A Rules for our contractual arrangements among Fenghuang On-line and each of the affiliated consolidated entities, based on their understanding of the current PRC laws, rules and regulations, given that Fenghuang On-line 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 Fenghuang On-line and each of the respective affiliated consolidated entities as a type of acquisition transaction falling under the 2006 M&A Rules.

However, if MOFCOM 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 MOFCOM 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 net proceeds from our initial public 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 subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries 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.

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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 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 tax resident enterprise for tax purposes, the dividends we pay to our non-PRC enterprise investors with respect to our ordinary shares or ADSs, or the gain our non-PRC enterprise investors 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. In addition, it is unclear whether our non-PRC individual investors would be subject to any PRC tax in the event we are deemed a “PRC resident enterprise.” If any PRC tax were to apply to such dividends or gains of non-PRC individual investors, it would generally apply at a tax rate of 20%. 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 PRC law to withhold PRC income tax on dividends payable to our non-PRC investors, 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.

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

Auditors of companies that are registered with the US Securities and Exchange Commission and traded publicly in the United States, including our independent registered public accounting firm, must be registered with the United States Public Company Accounting Oversight Board, or the PCAOB, and are required by the rules of the PCAOB to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards. Because our auditors are located in the Peoples’ Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB. In May 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by PCAOB, the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges.

This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating audits and quality control procedures of any auditors operating in China, including our auditors. As a result, investors may be deprived of the benefits of PCAOB inspections.

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

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We may be adversely affected by the outcome of the administrative proceedings brought by the SEC against the Big Four PRC-based accounting firms.

In December 2012, the SEC brought administrative proceedings against the Big Four accounting firms in China, including our independent registered public accounting firm, alleging that these accounting firms had violated U.S. securities laws and the SEC’s rules and regulations thereunder by failing to provide to the SEC the firms’ audit papers and other documents related to certain PRC-based companies that are publicly traded in the United States.

On January 22, 2014, the Administrative Law Judge presiding over the matter reached an initial decision that the firms had each violated the SEC’s rules of practice by failing to produce the audit work papers and related documents directly to the SEC. The initial decision further determined that each of the firms should be censured and barred from practicing before the SEC for a period of six months. On February 12, 2014, the Big Four PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of these four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms’ audit documents via the CSRC. If the firms do not follow these procedures, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings.

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

If our independent registered public accounting firm was denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to our delisting from the NYSE or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

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

The MOFCOM, published the Draft FIL on its official website in January 2015. Upon its enactment, it is intended to replace the trio of existing laws regulating foreign investment in China, namely, the *Sino-foreign Equity Joint Venture Enterprise Law*, the *Sino-foreign Cooperative Joint Venture Enterprise Law* and the *Wholly Foreign-invested Enterprise Law*, together with their implementation rules and ancillary regulations. The Draft FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The MOFCOM is currently soliciting comments on this draft and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The Draft FIL, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the Draft FIL expands the definition of foreign investment and introduces the principle of “actual control” in determining whether an investment is considered a foreign investment or domestic investment. The Draft FIL specifically provides that an entity established in China but “controlled” by foreign investors will be treated as a foreign investor, whereas an entity set up in a foreign jurisdiction but “controlled” by PRC entities and/or citizens would nonetheless be treated as a PRC domestic investor, provided that the entity should obtain such determination upon market entry clearance by the competent foreign investment authority. In this connection, “control” is broadly defined in the draft law to cover the following summarized categories: (i) holding 50% or more of shares, equity interests, property shares, voting rights or other similar rights of the subject entity; (ii) holding less than 50% of shares, equity interests, property shares, voting rights or other similar rights, but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to materially influence the board, the shareholders’ meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial matters or other key aspects of business operations. If a foreign investment is made in an industry within the catalogue of special management measures, or the negative list, to be issued by the State Council, it would be subject to the foreign investment restrictions or prohibitions set forth therein and call for market entry clearance by the competent foreign investment authority.

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The “variable interest entity” structure, or the VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure— 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.” Under the Draft FIL, if a variable interest entity is ultimate controlled by a foreign investor via contractual arrangement, it would be deemed as a foreign investment and thus subject to market entry clearance where such variable interest entity is engaged in the industry on the negative list. If an existing company with a VIE structure continues to engage in an industry on the negative list, the MOFCOM has proposed three possible solutions: (i) the company should declare to the MOFCOM that it is controlled by PRC entities and/or citizens, and the VIE structure would be deemed legitimate; (ii) the company should be determined by the MOFCOM that it is controlled by PRC entities and/or citizens, and the VIE structure would be deemed legitimate; or (iii) the company should pass the market access clearance by the MOFCOM. Conversely, if the actual controlling person is of a foreign nationality, then the variable interest entities will be treated as foreign invested enterprises and any operation in an industry on the negative list without market entry clearance may be considered to be illegal.

We may not be considered to be ultimately controlled by PRC entities/citizens, as (i) our company was incorporated in Cayman Islands and is currently controlled by Phoenix TV, a company listed in the main board of The Stock Exchange of Hong Kong Limited; and (ii) Mr. Liu Changle, a permanent resident

of Hong Kong, is deemed to have control of Phoenix TV as defined in the Codes on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission of Hong Kong. The Draft FIL has not taken a position on what actions will be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by PRC entities/citizens, while it is soliciting comments from the public. Moreover, it is uncertain whether the telecommunications and internet information services, online cultural activities, online games and other internet-based industries, in which our variable interest entities operate, will be subject to the foreign investment restrictions or prohibitions set forth in the negative list to be issued. If the enacted version of the *Foreign Investment Law* and the final negative list mandate further actions, such as MOFCOM market entry clearance or certain restructuring of our corporate structure and operations, to be completed by companies with existing VIE structure like us, we will face substantial uncertainties as to whether these actions can be timely completed, or at all. As a result, our business and financial condition may be materially and adversely affected.

The Draft FIL, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the Draft FIL imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable foreign-invested enterprises. Reports are required whenever we make a new investment and modify or change our investment. Annual reports are mandatory, and large foreign investors meeting certain criteria are required to make reports quarterly. Any company found to be non-compliant with these information reporting obligations may be subject to fines and/or administrative or criminal liability, and the persons directly responsible may be subject to criminal liability.

Press reports concerning possible increased scrutiny by Chinese authorities of the VIE structure used by us and various other Chinese companies publicly-traded in the United States appear to have created concern among investors and caused the price of our common stock to drop, and such reports may have such an effect in the future.

We operate a VIE structure in which 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. In the recent past, various prominent Western news outlets reported that the MOFCOM and the China Securities Regulatory Commission, among other Chinese regulatory authorities, may be considering increased scrutiny or enhanced regulation of Chinese companies that use VIE structures as a means of complying with Chinese laws prohibiting or restricting foreign ownership of certain businesses in China, including businesses we are engaged in such as Internet information, content and services, online and mobile advertising, and mobile Internet and other value-added telecommunication services. Some of such news reports have also sought to draw a connection between recent widely reported accounting issues at certain Chinese companies and the use of VIE structures. Such news reports appear to have had the effect of causing significant drops in the market prices of the shares of several Chinese companies, including us, that are publicly-traded in the United States. We believe even if any such Chinese regulatory authorities were to increase scrutiny of VIE structures or adopt regulations specifically governing their use, the possibility is remote that any such scrutiny would have a material adverse impact on us or cause us to change our existing operational structure in any materially adverse way. However, it is possible that there will be such increased scrutiny or enhanced regulation in the future. In addition, while we are not aware of any causal connection between the recently reported accounting scandals and the use of VIE structures, it is possible that investors in our ADSs will believe that such a connection exists. Any of such circumstances could lead to further loss of investor confidence in Chinese companies such as ours and cause fluctuations in the market prices of our common stock and, if such prices were to drop sharply, could subject us to shareholder litigation, which could cause the price for our shares to drop further.

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Risks Relating to Our ADSs

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.

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, or the perception that these sales could occur, could cause the market price of our ADSs to decline. As of March 31, 2016, we had 570,651,462 ordinary shares outstanding, including 317,325,360 Class B ordinary shares and 253,326,102 Class A ordinary shares part of which are represented by 30,488,985 ADSs. All ADSs sold in our initial public offering are freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act. The remaining ordinary shares outstanding are available for sale upon 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. 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.

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 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. Phoenix TV (BVI), which is wholly owned by Phoenix TV, holds Class B ordinary shares, each of which is convertible into one Class A ordinary share at any time by the holder thereof. 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, Phoenix TV (BVI) has 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.

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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 currently effective, second amended and restated articles of association 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 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 follow, and we follow, certain 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 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.

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

As a foreign private issuer, we are 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 are subject under Form 20-F are less rigorous than those required of U.S. issuers under Form 10-K. Furthermore, foreign private issuers are not 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.

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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 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 10 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.

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

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ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Phoenix TV registered the domain name phoenix.tv for its corporate website in 1998. Tianying Jiuzhou began operating this website after its establishment in April 2000. 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 phoenix.tv and phoenix.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.

Fenghuang On-line was established in December 2005. 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 “—C. Organizational Structure — Contractual Arrangements with Our Affiliated Consolidated Entities”.

On May 12, 2011, our ADSs began trading on the New York Stock Exchange under the ticker symbol “FENG.” We closed our initial public offering on May 17, 2011 and the underwriters subsequently exercised their over-allotment option on June 8, 2011. We issued and sold a total of 13,415,125 ADSs in these transactions, representing 107,321,000 Class A ordinary shares in the form of ADSs, raising US\$137.2 million in proceeds to us before expenses but after underwriting discounts and commissions.

Our principal executive offices are located at Sinolight Plaza, Floor 16, No. 4 Qiyang Road, Wangjing, Chaoyang District, Beijing 100102, People's Republic of China. Our telephone number at this address is +(86) 10 6067 6000. 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, 4th Floor, New York, New York 20017.

B. Business Overview

We are a 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 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 platform includes our ifeng.com channel, consisting of our ifeng.com website and web-based game platform, our video channel, comprised of our dedicated video vertical, and our mobile channel, including our mobile Internet website, mobile applications, mobile value-added services and mobile games. The appeal of our brand is enhanced by its affiliation with the “Phoenix” (凤凰) brand of Phoenix TV.

According to iResearch, our online daily unique visitors was 43.9 million in December 2015, and monthly unique visitors was 291.1 million in December 2015. We have ranked third among all portals in China in terms of daily unique visitors in December 2015, according to iResearch. According to our internal data, our aggregated mobile daily unique visitors from mobile website i.ifeng.com and mobile applications reached 33.0 million in December 2015. We earn revenues from advertising and paid services, which accounted for 76.2% and 23.8% of our total revenues, respectively, in 2015.

Our net advertising revenues collectively accounted for 60.6%, 72.7% and 76.2% of our total revenues in 2013, 2014 and 2015, respectively. We provide advertising services through portal (our ifeng.com channel and video channel) and mobile channel which accounted for 71.7% and 28.3% of our net advertising revenues respectively in 2015. We recognize revenues from our advertising services on a net basis, deducting the agency service fees we pay to advertising agencies. Our number of advertisers reached 569, 612 and 705 as of December 31, 2013, 2014 and 2015, respectively.

We see mobile devices as the primary gateway for news and other media content consumption going forward. In recent years, we have taken steps to evolve our business and shift our revenue mix towards our mobile channels, which we believe have greater potential for sustainable growth over the long term, and which have demonstrated robust growth in recent quarters. Our mobile advertising revenues increased by 114.2% to RMB347.1 million (US\$53.6 million) in 2015 from RMB162.1 million in 2014. As part of our mobile strategy, we invested in Particle which operates Yidian, a personalized news and lifestyle information application in China that allows users to define and explore desired content on their mobile devices. According to TalkingData, a third party mobile app analytics company, Yidian ranked among the top three news and information applications in terms of mobile user coverage in China in February 2016. By partnering with Yidian and by continuing to strengthen our core competencies of content production capability, dedication to serious journalism and cutting-edge technology, we believe that we will be better positioned to capitalize on emerging opportunities as increasing numbers of consumers in China use Internet-enabled mobile devices to consume news and other media content.

We offer a wide variety of paid services primarily through our mobile channel, and, to a lesser extent, through our ifeng.com channel and video channel. We classify our paid service into (i) mobile value-added services, or MVAS, which includes wireless value-added services, or WVAS, mobile video, mobile digital reading, and mobile games through telecom operators' platforms, and (ii) games and others, which includes games, content sales, and other online and mobile paid services through our own platforms. We believe such classification helps investors understand the composition of our paid services revenues, especially the breakdown and trend between revenues generated through telecom operator's platforms and revenues generated through our own platforms. We derived 76.7% and 23.3% of our paid service revenues, respectively, from our MVAS and games and others in 2015. We generate the majority

of our paid service revenues from our MVAS by providing content to mobile device users and collecting revenue shares from the relevant mobile operator. Due to the decrease in MVAS, our paid service revenues decreased from RMB467.6 million in 2013 to RMB337.3 million in 2014 and 293.5 million (US\$45.3 million) in 2015.

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Our Relationship with Phoenix TV

We are a subsidiary of Phoenix TV, a leading Hong Kong-based satellite TV network broadcasting Chinese language content globally and into China. Phoenix TV indirectly owned 55.6% of our ordinary shares and 62.0% of the voting power of our ordinary shares as of March 31, 2016. Fenghuang On-line and Phoenix TV entered into a cooperation agreement, or the Phoenix TV Cooperation Agreement, on November 24, 2009, which will expire on May 27, 2016. 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 License 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 Satellite Television Company Limited 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 licenses help to distinguish our content offerings from those of other Internet and new media companies in China. We believe that 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.

Considering the significant growth and changes in our business since execution of these agreements in 2009, we and Phoenix TV are working on a new set of agreements to amend and replace the above-mentioned agreements and provide the terms of our future cooperation. While each of the existing agreements would have expired in March 2016, we and Phoenix TV agreed to extend the expiration date of these agreements to May 27, 2016 so that we have more time to finalize the terms of the new agreements. If the terms of the new agreements are not as favorable to us as the existing agreements, our business and results of operations may be adversely affected. See "Risk Factors - Risks Relating to Our Business and Industry - 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 paid services business, 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."

On February 17, 2014, our chief executive officer, Mr. Shuang Liu, was also promoted to the position of chief operating officer of Phoenix TV. The key initiative for his new position at Phoenix TV is to accelerate the convergence of TV, Internet and mobile platforms of the two companies. In his new role, Mr. Liu is tasked with strategizing, overseeing and allocating resources to implement this convergence strategy. Through this appointment, both companies can more seamlessly expand user reach on each of its media platforms, provide advertisers a one-stop shop solution, more effectively monetize the Phoenix brand across all verticals, and achieve greater cost synergies.

For more information about the terms of each of the Phoenix TV Cooperation Agreement, the Content License Agreements and the Trademark License Agreements, see "—C. Organizational Structure—Our Relationship with Phoenix TV." For more information about the risks associated with our relationship with Phoenix TV, see "Item 3 Key Information—D. 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 effect on our paid services, and would also negatively affect our video advertising business. Together these impacts could have a material adverse effect on our business and results of operations" and "Item 3 Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—"We may have conflicts of interests with Phoenix TV and, because of Phoenix TV's controlling interest in our company, may not be able to resolve such conflicts on terms favorable to us."

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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. 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, fashion and entertainment, among others. We believe that we have provided the earliest video and text media coverage among Chinese media companies of certain major world events. 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 to overseas TV network, Taiwan CTI Television Inc., from time to time. In addition, we provide our in-house produced content to more than ten domestic TV networks, such as Shanxi Satellite TV, Guizhou Science and Education Channel and, Heilongjiang City Channel.

Third-Party Professional Content. We have entered into content licensing agreements with approximately 700 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, Xinhua News Agency and the People's Daily, as well as China's top ten image providers. 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. We obtain our third-party video content from major Chinese television broadcasters, such as CCTV, Shenzhen Satellite TV and Guangdong 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 May 27, 2016 to use its copyrighted content on our Internet and mobile channels in China, pursuant

to the Content License Agreements. Considering the significant growth and changes in our business since execution of these agreements in 2009, we and Phoenix TV are working on a new set of agreements to amend and replace the existing agreements and provide the terms of our future cooperation. See “Risk Factors - Risks Relating to Our Business and Industry - 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 paid services business, 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.” 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. We offer live streaming broadcasts of the Phoenix Chinese Channel, the Phoenix NewsInfo Channel and the Phoenix Hong Kong 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.

In-house Produced Content. We produce investigative reports, exclusive video programs and event-based coverage in-house. We frequently conduct interviews with government officials, thought leaders, celebrities and other compelling public figures and we have provided coverage on hundreds of conferences and forums. 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 blog, comment-posting and user survey services. We feed UGC from our blog, comment-posting and surveys to Phoenix TV on a number of its regular TV programs.

Content Editing and Production

Content editing and production are critical components of our content production process. We had a team of 481 editors as of December 31, 2015 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. Beyond distributing a large amount of news and information in a timely fashion, we provide independent social commentary and analyses. We edit our videos, primarily consisting of news, documentaries and interviews, into short clips. We organize our content by interest-based vertical and segment it further by featured topic. We actively combine text, image and video content and integrate interactive UGC, aimed at producing an engaging user experience.

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Content Monitoring

We implement monitoring procedures to remove inappropriate or illegal content, including UGC from our discussion forum, blog, comments postings and user survey services. Our content screening team consists of 49 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. For technology screening, we use an in-house developed identification system which enables us to filter UGC in order to comply with PRC regulatory requirements regarding Internet content.

Our Channels

We provide our content and services through three major channels, including our ifeng.com channel, 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 channel, video channel and our mobile channel. We generate paid service revenues primarily through our mobile channel, and, to a lesser extent, through our ifeng.com channel and video channel.

Our ifeng.com Channel

Our ifeng.com channel consists of our website at ifeng.com, which comprises our interest-based verticals, interactive services and web-based game platform.

Interest-based Verticals. We currently provide over 40 interest-based verticals, each of which features integrated text, image and video content and embedded interactive services, such as user surveys and comment postings. 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 mobile Internet website, mobile applications and mobile value-added services, 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.* Through our news vertical, ifeng News, users have easy access to breaking news coverage from multiple sources and points of view. Our news vertical also features a large amount of in-depth special reports and embedded interactive services. For our special reports, we not only have dedicated teams deliver in-depth analysis and reports, but also integrated user surveys and comment postings into the featured website, which are often was transmitted to and displayed on Phoenix TV.
- *Finance.* Our finance vertical, ifeng Finance, provides up-to-date information about financial news, securities and personal finance. We have formed relationships with individual industry leaders who contribute to our in-depth reports and discussions we feature on our finance vertical. We also obtain independent finance content from Phoenix TV. Our finance vertical also offers stock quotes from the major exchanges, as well as breaking news from individual listed companies.
- *Automobiles.* Our automobiles vertical, ifeng Auto, offers the latest automobile-related news and information to provide car buyers and automobile enthusiasts with the most current information on automotive pricing, reviews and featured guides.

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- *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, including dining, movies, television programs, plays, operas, as well as popular and classical music. It features our in-house produced video program of candid celebrity interviews.
- *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 covers a variety of luxury topics, including wines, cigars, high-end brand apparel and accessories, as well as services aimed at the high net worth population. It also provides real-time coverage of major world fashion events, bringing users the latest information on styles and trends. 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.
- *Sports.* Our sports vertical offers multimedia news and information on a wide range of sporting events, and broadcasts both live and recorded domestic and international sports matches.
- *History.* Our history vertical provides content about Chinese and international modern history. We investigate relatively unexplored historical turning points and events and provide in-depth analyses of historical figures and events. Phoenix TV's high quality history programs are one of the sources of material for this vertical.
- *Online Literature.* Our online literature vertical is mainly comprised of digital books. Revenues generated from online literature subscription and pay-per-view services are recorded in games and others under paid services revenues.

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 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. 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. The site integrates the writings of Phoenix TV's renowned reporters and commentators with the views of bloggers from within China and abroad.
- *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.

Web-based Game Platform. We operate third-party developed web-based games on our game platform, play.ifeng.com. Web-based games are games that can be played directly from the user's Internet browser without downloading additional software. Currently our game platform only offers web-based games licensed from third parties. Our game portfolio includes role-playing, strategy and casual games. As of December 31, 2015, we offered a total of 86 licensed web-based games on our platform. We collect payments from game players through the sale of in-game virtual currencies and remit certain agreed-upon percentages of the proceeds to the game developers. The in-game virtual currencies are used by game players to purchase virtual items in the games. We record revenue from selling in-game virtual currencies net of remittances to game developers and deferred until the estimated consumption date of the virtual items, which is typically within a short period of time after purchase of the in-game virtual currency. Revenues generated from web-based games are recorded in games and others under paid services revenues.

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Our Video Channel

Our video channel is comprised of our (i) dedicated online video vertical at v.ifeng.com, and (ii) video content sales business.

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. According to iResearch, our v.ifeng.com site received 55.6 million average daily page views and 12.7 million average daily unique visitors in December 2015. According to the company's data, v.ifeng.com site received 49.7 million average daily video views in December 2015.

Free Online VOD. Our free online VOD typically consist of short clips of up to five minutes of news programs, interviews, documentaries and other programs. Our VOD content is easily searchable on our website and is organized into 12 verticals of v.ifeng.com for easy browsing, including news, military

affairs, documentaries, entertainment, variety shows, movies and dramas, amusements, open course, Phoenix TV, live broadcast, original works, and VIP channel.

Live Phoenix TV Broadcasts. We offer live streams of Phoenix TV's flagship channels, such as the Phoenix Chinese Channel, the Phoenix InfoNews Channel, and the Phoenix Hong Kong Channel. These broadcasts provide our users with exclusive online access to up-to-the-minute, quality news and other programs from Phoenix TV. 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 Video Subscription and Pay-Per-View Services. Our online video subscription service enables users to watch advertisement-free premium content, such as feature-length documentaries and exclusive online Phoenix TV programming. Our online video pay-per-view 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 also include generally longer videos of up to 45 minutes in length. Revenues generated from online video subscription and pay-per-view services are recorded in games and others under paid services revenues.

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. Revenues generated from video content sales are recorded in games and others under paid services revenues.

Our Mobile Channel

Our mobile channel consists of our mobile Internet website i.ifeng.com, mobile applications and MVAS (Mobile Value Added Services). MVAS include mobile video services, mobile digital reading services, mobile game services and WVAS (Wireless Value Added Services). Users can access our mobile content and MVAS directly from their mobile phones: (i) on our mobile Internet website, i.ifeng.com, (ii) by downloading our applications or by opening a pre-installed application on their mobile devices, or (iii) from a mobile operator's platforms.

We provide and market our MVAS through cooperation with mobile operators as well as various mobile device manufacturers, Internet sites, technology and media companies. Our MVAS are tailored to the technical requirements and billing systems of mobile operators, through whom we deliver all of such MVAS. These operators specially recommend certain of our MVAS to their subscribers and have featured our brand in their promotions.

Mobile Website i.ifeng.com

Our i.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, i.ifeng.com allows our users to access quality ifeng.com and v.ifeng.com content while they are on-the-go. Similar to ifeng.com, our i.ifeng.com features an array of interest-based and interactive verticals, as well as a mobile video site for watching free mobile VOD.

Mobile Applications

We offer a wide range of mobile applications for different mobile devices, including but not limited to:

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- *ifeng News* (formerly named "*Phoenix News*"), which provides news in the form of text, image and video;
- *ifeng Video* (formerly named "*Phoenix Mobile Station*"), which provides video news and other video content;
- *ifeng FM*, which provides audio news and other audio content;
- *ifeng Book*, which provides digital format books licensed from third-party publishers.

MVAS

As part of our converged platform, MVAS provide a convenient means for our users to access our quality content through the telecom operators' platforms, while they are on-the-go. Our MVAS consist mainly of the following product lines:

Mobile Video Services. We offer video content through the mobile video platforms of all three of the telecom operators. Users pay a monthly subscription fee for access to our video channel on the telecom operators' platforms or pay on a per-clip pay-per-view basis, and we share the fees charged for such services with the telecom operators.

Mobile Digital Reading Services.

- *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. 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 the three mobile operators.
- *Digital Books Service.* We currently offer books and other publication content to customers of telecom operators through their digital reading platform.

Mobile Games Services delivered through the Telecom Operators' Platforms. We currently offer mobile games through China Mobile's, China Unicom's and China Telecom's gaming platforms, which allow users to download our programs using GPRS and 3G/4G technologies.

WVAS. We also provide wireless value-added services, or WVAS, as part of our MVAS offerings through various 2G, 2.5G and 3G/4G standard technology platforms. We offer the following WVAS:

- *SMS-based Services.* We offer chat and other community services, television interactive features, such as surveys, quizzes and games.
- *Music Services.* We provide personal ring-back tones, or RBT, services, including a variety of entertaining content, such as pre-recorded messages, movie dialogues and soundtracks, and full-length songs.
- *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.
- *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 Games

We started our mobile games business in 2014. Currently we only offer mobile games licensed from third parties. Our game portfolio includes action, role-playing and casual games operated on smartphone mobile operation systems, such as iOS and Android. As of December 31, 2015, we offered seven exclusive licensed games. We collect payments from game players through the sale of in-game virtual currencies and remit certain agreed-upon percentages of the proceeds to the game developers. The in-game virtual currencies are used by game players to purchase virtual items in the games. Revenues generated from mobile games are recorded in games and others under paid services revenues.

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Our Sources of Revenues

Advertising Services

We provide advertising services primarily through our ifeng.com and video channels, our mobile Internet website i.ifeng.com and our mobile applications in our mobile channel. Our advertising team consists of direct sales, agency sales, customer support, advertising design and production, resource management, advertising strategy and sales promotion and other functions.

As is typical in China's online advertising industry, we primarily enter into advertising service contracts 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 PC platform including ifeng.com and video channels at present, we expect our advertising services on our mobile channel to continue to increase 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.

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 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 have a diverse advertising client base, including both Chinese and international brand advertisers. Our number of advertisers reached 569, 612 and 705 as of December 31, 2013, 2014 and 2015, respectively. Our top ten advertisers accounted for 25.8% of our total advertising revenues in 2015. Our advertisers generally are in the automobile, food & beverages, e-commerce, financial services, Internet services, medical services, IT products, cosmetic products, luxury brands, airline, health care, education and communication services industries.

Paid Services

The following table sets forth our paid service offerings on telecom operators' platforms and our own platforms and the percentage contribution of our various paid services to our paid service revenues and our total revenues in 2015.

Paid Service Offerings (1)	% of Paid Service Revenues	% of Total Revenues
MVAS	76.7	18.2
Wireless value-added services, or WVAS, mobile video, mobile digital reading, and mobile games through telecom operators' platforms		
Games and others	23.3	5.6
Web-based games, mobile games, content sales, and other online and mobile paid services through our own platforms		

(1) With respect to our paid services: (i) Tianying Jiuzhou conducts MVAS and games and others, and (ii) Yifeng Lianhe conducts MVAS.

Our Account Execution Personnel

We have a dedicated team of account execution personnel 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,

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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 and Phoenix TV also actively promote one another's brand on our respective Internet and TV platforms as part of our mutual promotion arrangement included in the Phoenix TV Cooperation Agreement.

We believe that our distinguished content and high-quality services lead to strong word-of-mouth promotion, which drives consumer awareness of our brand in China. In addition, our engagement in philanthropic activities, such as our *Annual Forever Happiness Charity Gala Dinner* (“[凤凰卫视慈善晚宴](#)”), helps associate our brand with social responsibility.

Seasonality

Seasonal fluctuations and industry cyclicalities have affected, and are likely to continue to affect, our business. We generally generate less revenue from brand advertising sales and paid services revenues during national holidays in China, in particular during the Chinese New Year holidays in the first quarter of each year. We typically generate higher net advertising revenues 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 in China 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 the seasonal fluctuations and cyclicalities. However, we expect that the seasonal fluctuations and cyclicalities to cause our quarterly and annual operating results to fluctuate. See “Item D. Risk Factors — Risks Relating to Our Business and Industry—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.”

Product Development

In 2015, we continued to improve our advertising solution products as well as focus on improving our convergence model across PC, mobile and TV in order to provide our users easier access to our premium content through any device. In particular, we continued to introduce and improve our mobile applications and strengthened commercial products in certain of our verticals. For example, we internally developed an analytic platform named *Feng Yan* (“[风眼](#)”) to track and analyze real-time traffic data. Through *Feng Yan* we can better understand user's profile and reading preference, and provide reference data for future content production and performance advertising solution. We also launched a fashion vertical application named *Shi Zhuang* (“[时尚](#)”), which focuses on user generated content and user communication and interaction. In 2013, 2014 and 2015, our total technology and product development expenses, including related share-based compensation were RMB108.7 million, RMB150.0 million and RMB170.7 million (US\$26.4 million), respectively.

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 3,200 self-owned and leased servers across China mainland, Hong Kong and North America with power supply and power generator backup. We have developed our server operations based on Linux and other open source softwares, which has allowed us to lower software related investment and enhance our network reliability.

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. We have also developed a new consolidated system, CMPP (Content Management Programmable Platform), for content management and delivery, which focuses on HTML5 and mobile applications.

Bandwidth Saving Technology. Our CDN allows us to provide ample bandwidth to our users, thereby enhancing their user experience. Our CDN infrastructure seamlessly integrates our self-developed CDN and commercial CDNs, which allows us to ensure bandwidth for users located in remote areas on an efficient and cost-effective basis. We have established approximately 40 CDN nodes across with telecommunication operators. We developed and deployed hybrid CDN-P2P for streaming and on-demand video to improve cost-effectiveness.

Integration with Phoenix TV. The integration of our and Phoenix TV's content management systems allows us to directly access Phoenix TV's programs digitally, in addition to our access via satellite signal, and to expedite the transmission of our content to Phoenix TV.

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Data Analysis Technology. We have greatly enhanced our data analytical system, which collects, tracks and analyzes product usage data, on an anonymous basis, to improve our services. This system possesses flexible mechanics for organizing and analyzing data, and is relatively low cost.

Cloud Computing. Our technology department began researching the use of a cloud computing system in 2011 to modify our network and system infrastructure and lower our content delivery and system maintenance costs. We have built a distributed file system, which provides 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 commenced our distributed computing platform project, which provide large-scale computer capacity support for our raw access log and transcoding computing-intensive applications. We have also deployed an open source virtualization cluster to integrate multiple small applications, which significantly reduced our IT costs.

Intelligent Recommender System (IRS). Our technical department developed a real-time, personalized recommender system, which produce a list of contents through collaborative and content-based filtering, to predict contents that the user may have an interest in, and to recommend additional items with similar properties.

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 unique, 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, Inc., Sina Corporation, Sohu.com Inc. and Tencent Technology Limited. In video, we compete with a number of online video companies, including Youku Tudou Inc., iqiyi.com, Sohu video, QQ video, PPlive.com and China Network Television, or CNTV. In mobile Internet, we primarily compete against NetEase, Inc., Sina Corporation, Sohu.com Inc., Tencent Technology Limited., Today's Headline and Kong Zhong Corporation.

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 a combination of trademark, copyright and trade secret protection laws in China and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our intellectual property and our brand. We also enter into confidentiality, non-compete and invention assignment agreements with our employees and consultants and nondisclosure agreements with selected third parties. We had 83 PRC software registrations and owned 19 domain names, including ifeng.com, as of March 31, 2016.

We have also designed proprietary logos for use in the respective businesses of Tianying Jiuzhou and Yifeng Lianhe. As of March 31, 2016, Tianying Jiuzhou owned 97 PRC registered trademarks, six of which were transferred from Phoenix Satellite Trademark Limited, and Yifeng Lianhe owned 20 PRC registered trademarks. In addition, Tianying Jiuzhou had submitted 22 registration applications relating to 10 logo designs, and Yifeng Lianhe had submitted one registration application relating to one logo design, to the PRC Trademark Office. Both of our affiliated consolidated entities continue to use certain of Phoenix TV's logos that are licensed from Phoenix Satellite Television Trademark Limited. Therefore we are 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. For information about the risks related to our use of licensed trademarks and our plans to remedy such risks, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Our Affiliated Consolidated 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."

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Employees

We had approximately 1,666, 1,969 and 1,521 employees as of December 31, 2013, 2014 and 2015, respectively. The table below sets forth the number of employees categorized by function as of December 31, 2015:

<u>Function</u>	<u>Number of Employees</u>
Management and administration	204
Content development	481
Mobile products and services	179
Technology and product development	296
Sales and marketing	361
Total	1,521

As of December 31, 2015, we had 1,306, 107 and 82 employees located in Beijing, Shanghai and Guangzhou, respectively, and 26 employees located in other locations in China. Currently we do not have any employees located outside of 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, share-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. From January 1, 2015 to March 31, 2016, we have been subject to 44 cases in the PRC, 34 of which have been concluded. The aggregate amount of damages awards and settlements paid by us was RMB0.5 million.

Facilities

Our executive office is located at Sinolight Plaza, Floor 16, No. 4 Qiyang Road, Wangjing, Chaoyang District, Beijing 100102, People’s Republic of China. We maintain a number of offices in Beijing, Shanghai and Guangzhou under leases with terms ranging from one to five years.

The following table describes each of our major offices as of December 31, 2015:

Location	Space (in square meters)	Usage of Property	Expiration Dates
Beijing	14,999	Office	June 30, 2017
Beijing	2,410	Office	October 14, 2016
Guangzhou	1,160	Office	August 31, 2018
Shanghai	1,006	Office	May 31, 2017

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.

Regulatory Matters

The following is a summary of the most significant PRC laws and regulations that affect our business activities in China or our shareholders’ rights to receive dividends and other distributions from us.

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Draft Foreign Investment Law

On January 19, 2015, the MOFCOM published the Draft FIL, on its official website for public comments, which mainly covers: (i) definition of foreign investors and foreign investments, (ii) market entry clearance, (iii) national security review, (iv) information reporting, (v) investment promotion and protection as well as handling of complaints, (vi) legal liabilities and (vii) other general and miscellaneous provisions. The MOFCOM also published an explanatory note to the Draft FIL on its official website. The Draft FIL, once enacted, will eventually replace the trio of the *Sino-foreign Equity Joint Venture Enterprise Law*, the *Sino-foreign Cooperative Joint Venture Enterprise Law* and the *Wholly Foreign-invested Enterprise Law* as well as their implementation rules and ancillary regulations, and will consolidate and simplify the various regulatory requirements on foreign investments.

The Draft FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in alignment with international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments, and thus the Draft FIL will have a far-reaching and significant impact upon foreign investments by fundamentally reshaping the entire PRC foreign investment regulatory regime. The Draft FIL includes, among others, the following key points:

- The Draft FIL expands the definition of foreign investment and introduces the principle of “actual control” in determining whether an investment is considered a foreign investment or domestic investment. An entity established in China but “controlled” by foreign entities and/or citizens will be treated as a foreign investor, whereas an entity set up in a foreign jurisdiction but “controlled” by PRC entities and/or citizens would nonetheless be treated as a PRC domestic investor, provided that the entity obtains such determination upon market entry clearance by the competent foreign investment authority.
- The existing comprehensive approval system of foreign investments will be replaced by an entry clearance system in relation to foreign investments in the industries within the negative list and an information reporting system. The negative list will only comprise of two categories: the prohibited industries and the restricted industries; foreign investments in industries not listed in the negative list will not be required to apply for entry clearance or make record filing and will only be required to submit information reports. In the future, the negative list to be issued by State Council may replace the current *Guidance Catalogue of Industries for Foreign Investments*. The information reporting system includes the investment implementation reporting, investment amendment reporting, annual reporting and quarterly reporting. The scope of the information reporting is very extensive under the Draft FIL. In addition, any non-compliance with the information reporting obligations, concealing true information, or providing misleading or false information will be subject to monetary fines or criminal charges, depending on the seriousness of circumstances, and the persons directly responsible may also be criminally liable.
- All differences in the corporate governance requirements that currently apply to foreign invested and domestic enterprises will be removed, leaving only the requirements under the *PRC Company Law*, with which all foreign invested and domestic enterprises must comply.
- The national security review will be incorporated as a separate chapter and may replace the existing regulations and rules issued by the State Council or the MOFCOM. Compared with the existing regulations and rules, the scope of national security review is wider under the Draft FIL.
- The VIE structure, will fall into the jurisdiction of the Draft FIL, and certain potential solutions was proposed to apply to the existing VIE structures. See “Item 3: Key Information—D. Risk Factors—Risks Relating to Doing Business in China— Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations”.

Although only a first draft has been released for public comments, it is already apparent that the Draft FIL will fundamentally change the current foreign investment regulatory landscape. There is no definitive timeline for this law to be officially promulgated by the PRC legislature and the current draft may need to undergo significant amendment before the law is finally passed. Accordingly, substantial uncertainties still exist with respect to the enactment timetable, interpretation and implementation of this new law.

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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 (2014, revised), 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 (2011, revised), 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 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.

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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 have also designed proprietary logos for use in the respective businesses of Tianying Jiuzhou and Yifeng Lianhe. As of March 31, 2016, Tianying Jiuzhou owned 97 PRC registered trademarks, six of which were transferred to it from Phoenix Satellite Trademark Limited, and Yifeng Lianhe owned 20 PRC registered trademarks. In addition, Tianying Jiuzhou had submitted 22 registration applications relating to 10 logo designs, and Yifeng Lianhe had submitted one registration application relating to one logo design, to the PRC Trademark Office. Both of our affiliated consolidated entities continue to use certain of Phoenix TV’s logos that are licensed from Phoenix Satellite Television Trademark Limited. Therefore we are currently not in compliance with the MIIT 2006 Notice.

All “ifeng” related trademarks used by the Company have been transferred to our affiliated consolidated entities. 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. For information about the risks related to our use of licensed trademarks, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Our affiliated consolidated 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.”

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Measures for the Administration of Commercial Website Filings for Record (2004). Under these measures, commercial websites operated by ICP service operators registered in Beijing must: (i) file with the Beijing Administration of Industry and Commerce and obtain electronic registration marks, and (ii) place the registration marks on their websites’ homepages.

In order to comply with these PRC laws and regulations, we operate our commercial website through Tianying Jiuzhou, one of our PRC affiliated consolidated 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 "Item 3. Key Information—D. 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."

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Regulation of Online Transmission of Audio-Visual Programs

On July 6, 2004, 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 was revised on August 28, 2015. The 2004 Internet A/V Measures 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 GAPPFRFT 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 and was revised on August 28, 2015. 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 GAPPFRFT or complete certain registration procedures with GAPPFRFT. 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 GAPPFRFT. 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.

In order to comply with these laws and regulations, Tianying Jiuzhou submitted an application to GAPPRFT 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 annual report and cannot assure you that we may be able to obtain one. See “Item 3. Key Information—D. 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.”

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Regulation of Foreign Television Programs and Satellite Channels

Broadcast of foreign television programs is strictly regulated by GAPPRFT. 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 GAPPRFT 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 televisions 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 GAPPRFT.

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 GAPPRFT are qualified to apply to GAPPRFT 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 GAPPRFT 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 GAPPRFT 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 “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Failure to obtain GAPPRFT’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 and was revised on August 28, 2015. 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 GAPPRFT 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.

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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 intends 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 *Administration Rules of Publication of Electronic Publication Rules*, or 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, GAPPRFT.

Pursuant to the *Tentative Administrative 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. In February 2016, the GAPPRFT and the MIIT jointly issued the *Administrative Measures on Network Publication*, which took effect in March 2016 and replaced the Internet Publication Measures. Pursuant to the *Administrative Measures on Network Publication*, Internet publishers must be approved by and obtain a Network Publication Service License from GAPPRFT in order to provide network publication services. In addition, the *Administrative Measures on Network Publication* does not stipulate explicitly whether the holder of Internet Publication License should reapply and obtain the Network Publication Service License within the valid term.

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 GAPPRFT 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 4, 2009, the MOC and MOFCOM jointly issued the *Notice on Strengthening the Administration of Online Game Virtual Currency*, or the Virtual Currency Notice, to regulate the trading of online game virtual currencies. The Virtual Currency Notice defines the meaning of virtual currency and places a set of restrictions on the trading and issuance of virtual currency. The Virtual Currency Notice also reiterates that virtual currency can only be provided to users in exchange for an RMB payment and can only be used to pay for virtual goods and services of the issuers. In addition, the Virtual Currency Notice states that online game operators are not allowed to give out virtual items or virtual currency through lottery-base activities, such as lucky draws, betting or random computer sampling, etc., in exchange for user's cash or virtual money. We provide extra free virtual currencies to game users as they buy virtual currencies from us. For more information regarding regulatory risks related to our online games business, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry— If we fail to obtain or maintain all applicable permits and approvals, or fail to comply with PRC regulations, 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."

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On June 3, 2010, the MOC 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 an 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, the MOC 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, the MOC issued the *Notice on Strengthening and Improving the Content Review of Online Music*. According to this notice, only "Internet culture operating entities" approved by the MOC 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 the MOC. 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.

Tianying Jiuzhou is currently operating our online games business. Tianying Jiuzhou also provides Internet music products on our website. As of the date of this annual report, 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 GAPPRFT 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 Internet Publication License or a Network Publication Service License. For more information regarding regulatory risks of our online games business, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—If we fail to obtain or maintain all applicable permits and approvals, or fail to comply with PRC regulations, 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 6, 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 annual report and cannot assure you that we may be able to obtain one. See “Item 3. Key Information—D. 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.”

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Regulation of Publication Operation

On March 25, 2011, GAPP and MOFCOM jointly issued the *Administrative Measures for the Publication Market*, pursuant to which any entity or individual engaging in the wholesale or retail of books, newspaper, magazines, electronic publications and audio and video products must obtain an approval from the relevant press and publication administrative authority and receive a Publication Operation Permit. An enterprise that has obtained a Publication Operation Permit is not required to obtain any special permission if it utilizes the internet and other information networks to sell such publications, but must file with the relevant press and publication administrative authority within 15 days following its commencement of operations on the internet. Foreign investors may engage in the distribution of audio and video products in China only in the form of contractual joint ventures between foreign and Chinese investors. Due to these measures, we engage in retail of books, newspaper, magazines, electronic publications and audio and video products through Tianying Jiuzhou and wholesale and retail of books, newspaper, magazines and electronic publications through Yifeng Lianhe. Each of Tianying Jiuzhou and Yifeng Lianhe has obtained a Publication Operation Permit.

Regulation of Internet Publication

GAPPRFT 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 GAPPRFT to conduct Internet publication activities. In February 2016, the GAPPRFT and the MIIT jointly issued the *Administrative Measures on Network Publication*, which took effect in March 2016 and replaced the Internet Publication Measure. The *Administrative Measures on Network Publication* further strengthen and expand supervision over and management of network publication services, and require Internet publishers to be approved by and obtain a Network Publication Service License from GAPPRFT. Pursuant to the *Administrative Measures on Network Publication*, “network publication services” refers to activities including providing network publications to the public through information network, and “network publications” refers to digitalized works with publishing features such as editing, producing and processing. The *Administrative Measures on Network Publication* also detailed qualifications and application procedures for obtaining a Network Publication Service 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 a Network Publication Service License. Tianying Jiuzhou has obtained an Internet Publication License from GAPPRFT. However, Yifeng Lianhe has not obtained this license. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—If we fail to obtain or maintain all applicable permits and approvals, or fail to comply with PRC regulations, 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 Short Message Services

MIIT 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.

MIIT issued the *Administrative Provisions on Short Message Services for Communication* on May 19, 2015, which became effective on June 30, 2015. According to such provisions, an entity shall obtain relevant telecommunications business license (“the relevant licenses”) to engage in short message service.

In order to comply with these laws and regulations, Tianying Jiuzhou and Yifeng Lianhe have obtained the relevant 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.

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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, which was revised on September 23, 2014, 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 numbers to be used in a trans-provincial range and has completed the filing in all of the provinces in the PRC.

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 “Item 3. Key Information—D. 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.”

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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. The regulations also 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. Pursuant to the *Information Protection Decision* issued by the Standing Committee of the National People’s Congress of the PRC and the *Order for the Protection of Telecommunication and Internet User Personal Information* issued by MIIT on July 16, 2013, or the Order, any collection and use of user personal information shall be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scope. The *Information Protection Decision* and the Order further states that Internet service providers and other enterprises and institutions must keep users’ personal information that is gathered in the course of their business activities confidential and are further prohibited from divulging, tampering or destroying of any such information, or selling or providing such information to other parties. Any violations of the *Information Protection Decision* or the Order may subject such companies to penalties such as warnings, fines, confiscation of its unlawful income, revocation of licenses, cancellation of filings, shutdown of their websites or even criminal liabilities.

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. The release or delivery of advertisements through the Internet shall not impair the normal use of the users. Advertisements released in pop-up forms on a webpage and other forms shall indicate the close flag in prominent manner and ensure one-key close. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and

orders to eliminate the effect of illegal advertisement. 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.

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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 Internet Copyrights

In order to address copyright issues relating to the Internet, in December 2012, the PRC Supreme People's Court adopted the *Provisions on Certain Issues Concerning the Applicable Laws in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks*, or the Provisions, which provides that the courts will require ICP service providers to remove not only links or content that have been specifically mentioned in the notices of infringement from right holders, but also links or content they "should have known" to contain infringing content. The Provisions further provide that where an ICP service provider has directly obtained economic benefits from any content made available by an internet user, it has a higher duty of care with respect to internet users' infringement of third-party copyrights. According to the Copyright Law, an infringer may 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 "Item 3. Key Information—D. 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."

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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 any of our PRC subsidiaries, 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 MOFCOM, 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 SAFE Circular 142. Pursuant to SAFE Circular 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. As to the latest development, on March 30, 2015, SAFE issued the *Circular on the Management Concerning the Reform of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises*, or SAFE Circular 19, which became effective on June 1, 2015 and replaced SAFE Circular 142. Pursuant to SAFE Circular 19, up to 100% of foreign currency capital of foreign-invested enterprise may be converted into RMB capital according to the actual operation of the enterprise within the business scope at its will and the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may be used for equity investments within the PRC. However, under SAFE Circular 19, RMB capital converted from foreign currency registered capital of a foreign-invested company still may not in any case be used to advance the RMB entrusted loan or repay RMB loans if the proceeds of such loans have not been used.

On November 19, 2012, SAFE promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment*, or SAFE Circular 59, which became effective on December 17, 2012. SAFE Circular 59 substantially amends and simplifies the current foreign exchange procedure. The major developments under SAFE Circular 59 are that the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of SAFE Circular 59. The reinvestment of lawful incomes, such as profit and proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment, by foreign investors in the PRC and the purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer requires SAFE approval.

On May 10, 2013, SAFE promulgated the *Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents*, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration. Institutions and individuals shall register with SAFE and/or its branches for their direct investment in the PRC. Banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

On February 13, 2015, SAFE issued the *Circular on Further Simplifying and Improving the Foreign Exchange Administration Policies on Direct Investments*, or SAFE Circular 13, pursuant to which the administrative examination and approval procedures with SAFE or its local branches relating to the foreign exchange registration approval for domestic direct investments as well as overseas direct investments have been cancelled, and qualified banks are delegated the power to directly conduct such foreign exchange registrations under the supervision of SAFE or its local branches. SAFE Circular 13 took effect on June 1, 2015.

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Regulation of Foreign Exchange Registration of Offshore Investment by PRC Residents

On July 4, 2014, SAFE issued the *Circular on Several Issues Concerning Foreign Exchange Administration of Domestic Residents Engaging in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles*, or SAFE Circular 37, which became effective on the same date. SAFE Circular 37 and its detailed guidelines require PRC residents to register with the local branch of SAFE before contributing their legally owned onshore or offshore assets or equity interest into any special purpose vehicle, or SPV, directly established, or indirectly controlled, by them for the purpose of investment or financing; and when there is (i) any change to the basic information of the SPV, such as any change relating to its individual PRC resident shareholders, name or operation period or (ii) any material change, such as increase or decrease in the share capital held by its individual PRC resident shareholders, a share transfer or exchange of the shares in the SPV, or a merger or split of the SPV, the PRC resident must register such changes with the local branch of SAFE on a timely basis. According to the relevant SAFE rules, failure to comply with the registration procedures set forth in SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore companies of 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 the relevant PRC residents and onshore companies to penalties under PRC foreign exchange administration regulations. Further, failure to comply with various SAFE registration requirements described above would result in administrative penalties or even criminal liabilities under PRC laws. On February 13, 2015, SAFE issued SAFE Circular 13, which is the *Circular on Further Simplifying and Improving the Foreign Exchange Administration Policies on Direct Investments*. Under SAFE Circular 13, qualified banks are delegated the power to register all PRC residents' investments in SPVs pursuant to SAFE Circular 37, saving for supplementary registration application made by PRC residents who failed to comply with SAFE Circular 37, which shall still fall into the jurisdiction of the local branch of SAFE. SAFE Circular 13 took effect on June 1, 2015.

We understand that the aforesaid registration requirement under SAFE Circular 37, SAFE Circular 13 and the relevant implementing rules do not apply to our PRC subsidiaries 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 37, (ii) none of the former or current shareholders of our PRC affiliated consolidated entities established or acquired interest in our company by injecting the assets of, or equity interest in, our affiliated consolidated entities, and (iii) before the public listing of our ADSs 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 "Item 3. Key Information—D. 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 37 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 subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise materially and adversely affect us."

SAFE Regulation of Stock Incentive Plan

On December 25, 2006, the People's Bank of China promulgated the *Administrative Measures for Individual Foreign Exchange*. On January 5, 2007, SAFE issued the *Implementation Rules of the Administrative Measures for Individual Foreign Exchange*, or the Individual Foreign Exchange Rules, which, among other things, specifies the approval requirements for a "domestic individual's" (including both PRC residents and non-PRC residents who reside in the PRC for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) participation in employee stock plans or stock option plans of an overseas publicly listed company. On February 15, 2012, SAFE issued the *Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company*, or the Stock Incentive Plan Rules, which terminated 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* issued by SAFE on March 28, 2007. According to the Stock Incentive Plan Rules, if a domestic individual participates in any stock incentive plan of an overseas listed company, a qualified PRC domestic agent, which can be the PRC subsidiaries of such overseas listed company, shall, among other things, file, on behalf of such individual, an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock purchase or stock option exercise. 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 domestic agent before distribution to such individuals.

Our employees who are "domestic individuals" and have been granted share options, or PRC optionees are subject to the Stock Incentive Plan Rules. If we or our PRC optionees fail to comply with the Individual Foreign Exchange Rules and the Stock Incentive Plan Rules, 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. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Failure to comply with PRC regulations regarding the registration requirements for stock incentive plans may subject the plan participants or us to fines and other legal or administrative sanctions."

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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 after-tax 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, MOFCOM, 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 the CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations, limit our operating privileges, delay or restrict the repatriation of the proceeds from our initial public 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. If the CSRC later requires that we obtain its approval for our initial public 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.

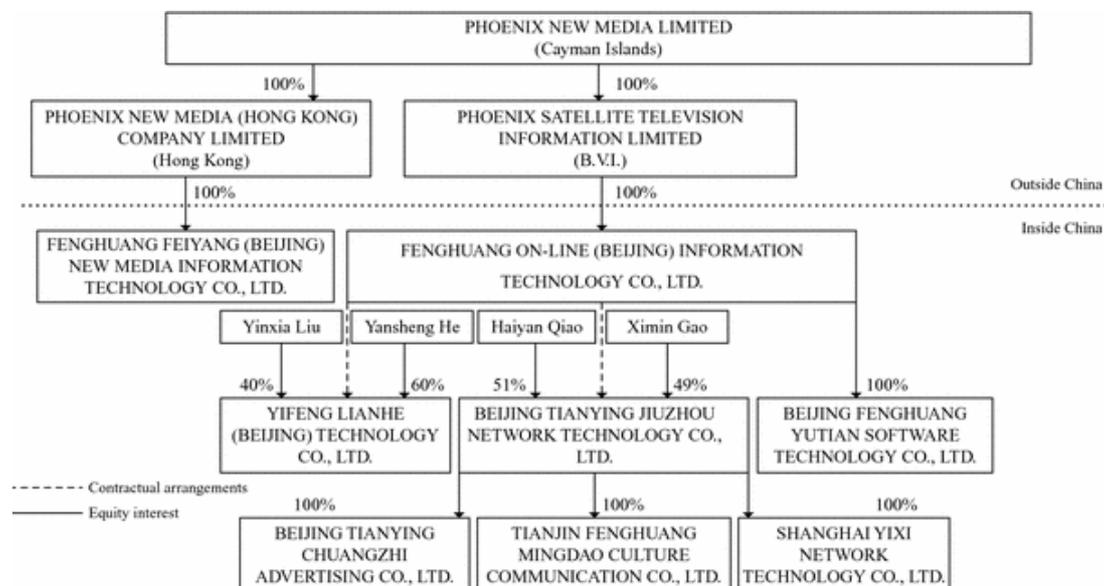
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C. Organizational Structure

Our Corporate Structure

The following diagram illustrates our corporate structure as of the date of this annual report, including our subsidiaries, affiliated consolidated entities and their subsidiaries which are significant subsidiaries as defined in rule 1-02(w) of Regulation S-X:



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Aligned with our business strategies, we have made the following investments in subsidiaries, affiliates and other business alliance partners in various Internet-related businesses.

In March 2014, IDG-Accel China Growth Fund III L.P. and IDG-Accel China III Investors L.P., or the “IDG-Accel Funds”, acquired US\$3.0 million convertible preferred shares of Phoenix FM Limited, previously a subsidiary of the Company, to accelerate development of the ifeng application business. Despite holding 100% of Phoenix FM Limited’s ordinary shares, we account for our investment in Phoenix FM Limited as an equity investment since we do not control Phoenix FM Limited due to substantive participating rights that have been provided to the IDG-Accel Funds.

In 2014, we invested approximately RMB4.5 million in Fenghuang Jingcai, a company engaged in online lottery ticket distribution, and hold 45.06% equity interest of the company.

In October 2014, we acquired Series B convertible redeemable preferred shares of Particle, representing 9.34% of the equity interest in Particle on an as-if converted basis, with a total cash consideration of US\$6.0 million. Particle owns the mobile application Yidian, a personalized news and life-style information application in China, which allows users to define and explore desired content over mobile devices. In December 2014, we acquired ordinary shares of Particle, representing 9.08% of the equity interest in Particle on an as-if converted basis, with a cash consideration of US\$5.0 million and a number of our ordinary shares with fair value of US\$2.8 million. We owned 18.42% of the equity interest in Particle on an as-if converted basis as of December 31, 2014. In April 2015, we acquired Series C convertible redeemable preferred shares of Particle with a cash consideration of US\$30.0 million, and we also acquired additional ordinary shares and Class A ordinary shares of Particle from certain existing shareholders for an aggregate purchase price of US\$27.6 million. Each ordinary share and each Class A ordinary share held by us was repurchased by Particle, and one Series C convertible redeemable preferred share for each such ordinary share or Class A ordinary share was issued to us. Following this series of transactions, we held an aggregate of approximately 46.95% of the equity interest in Particle. As of December 31, 2015, the carrying value of our investment in Particle was US\$79.3 million. On January 28, 2016, our board of directors authorized us to grant short-term unsecured loans to Particle in an aggregate principal amount of up to US\$20 million at an interest rate of 4.35% per annum and with a term of twelve months. We have granted all of US\$20 million loans to Particle as of the date of this annual report. Particle is required to use the proceeds of the loans for its working capital requirements in the ordinary course of its business.

In December 2014, we lost control over Tianbo, a previously consolidated subsidiary, as the result of disposition of certain equity interest of Tianbo. As we have significant influence over financial and operating decision-making after deconsolidation, we account for the retained 50% equity interests by using the equity method of accounting. Tianbo is principally engaged in exclusive operation of the real property channel and exclusive sales of real property advertisements for ifeng.com.

In January 2015, in order to leverage our brand, content platform and large user base to expand into more entertainment related businesses, we established a new subsidiary, Meowpaw. Meowpaw plans to engage in creating intellectual properties, related games, books, movies and animations, etc. We provided RMB34.0 million financial support to Meowpaw to fund its operations.

In January 2015, we acquired 5% equity interest of Lilita from a family member of the chairman of Phoenix TV, for an aggregate purchase price of RMB0.5 million. Lilita is principally engaged in P2P lending and reward-based crowd-funding businesses.

In February 2015, we invested approximately RMB4.5 million in Hangzhou Qike, a company engaged in providing risk management and credit control based on big data analysis and the provision of financial applications to enterprises and eventually directly to individual customers. We hold 45% equity interest of the company.

In April 2015, we acquired 0.3% equity interest of Lifeix Inc., an Internet company that operates L99.com and Lifeix.com, for an aggregate purchase price of US\$1.0 million.

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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 “—B. Business Overview—Regulatory Matters.” 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 subsidiaries or Yifeng Lianhe. However, as a result of these contractual arrangements, we are the primary beneficiary of each of Tianying Jiuzhou and Yifeng Lianhe and account for them as our affiliated consolidated entities under U.S. GAAP. Outstanding equity interests in Tianying 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. Ms. Liu is an employee of Zhongcheng Letian Property Development Company, a company founded by the chairman of Phoenix TV, Mr. Changle Liu. See “Item 3. Key Information—D. 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 subsidiaries and Yifeng Lianhe in our consolidated financial statements in accordance with U.S. GAAP. In 2015, Tianying Jiuzhou and its subsidiaries accounted for 90.2% of our total revenues, and Yifeng Lianhe accounted for 3.3% 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 subsidiaries 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 subsidiaries 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 affiliated consolidated 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. In 2013, 2014 and 2015, the affiliated consolidated entities transferred technical service fees of RMB380.9 million, RMB414.4 million and RMB236.4 million (US\$36.5 million), respectively, to Fenghuang On-line and its subsidiary.

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 RMB1 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.

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The term of each equity option agreement will expire when all of the equity interests in the relevant affiliated consolidated entities have 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 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 approval from the PRC regulatory authorities. See "Item 3. Key Information—D. 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

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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 owned 55.6% of our outstanding ordinary shares and 62.0% of the voting power of our ordinary shares as of March 31, 2016. 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. 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. We believe that 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.

On February 17, 2014, our chief executive officer Mr. Shuang Liu, was also promoted to the position of chief operating officer of Phoenix TV. The key initiative for his new position at Phoenix TV is to accelerate the convergence of TV, Internet and mobile platforms of the two companies. In his new role, Mr. Liu is tasked with strategizing, overseeing and allocating resources to implement this convergence strategy. Through this appointment, both companies can more seamlessly expand user reach on each of its media platforms, provide advertisers a one-stop shop solution, more effectively monetize the Phoenix brand across all verticals, and achieve greater cost synergies.

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 paid services, and, indirectly, to our video advertising business.

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. Considering the significant growth and changes in our business since execution of these agreements in 2009, we and Phoenix TV are working on a new set of agreements to amend and replace the Phoenix TV Cooperation Agreement, the Content License Agreements and the Trademark License Agreements and provide the terms of our future cooperation. While each of these agreements would have expired in March 2016, we and Phoenix TV agreed to extend the expiration date of these agreements to May 27, 2016 so that we have more time to finalize the terms of the new agreements. If the terms of the new agreements are not as favorable to us as the existing agreements, our business and results of operations may be adversely affected. For more information about these agreements, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Transactions and Agreements with Phoenix TV and Certain of its Subsidiaries.”

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 “Item 3. Key Information—D. 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.”

Subsidiaries of Phoenix New Media Limited

An exhibit containing a list of our significant subsidiaries has been filed with this annual report.

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D. Property, Plants and Equipment

Please refer to “B. Business Overview—Facilities” for a discussion of our property, plants and equipment.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Unless otherwise states, the discussion and analysis of our financial condition and results of operation in this section apply to our financial information as prepared according to U.S. GAAP. You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. The following discussion contains forward-looking

statements based upon current expectations 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 “Item 3. Key Information—D. Risk Factors.”

Overview

We are a 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 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 platform includes our ifeng.com channel, consisting of our ifeng.com website and web-based game platform, our video channel, comprised of our dedicated video vertical, and our mobile channel, including our mobile Internet website, mobile applications and mobile value-added services. The appeal of our brand is enhanced by our affiliation with the “Phoenix” (凤凰) brand of Phoenix TV.

According to iResearch, our online daily unique visitors was 43.9 million in December 2015, and monthly unique visitors was 291.1 million in December 2015. We have ranked third among all portals in China in terms of daily unique visitors in December 2015, according to iResearch. According to our internal data, our aggregated mobile daily unique visitors from mobile website i.ifeng.com and mobile applications reached 33.0 million in December 2015. We earn revenues from advertising and paid services, which accounted for 76.2% and 23.8% of our total revenues, respectively, in 2015.

Our net advertising revenues collectively accounted for 60.6%, 72.7% and 76.2% of our total revenues in 2013, 2014 and 2015, respectively. We provide advertising services through portal and mobile channels which accounted for 71.7% and 28.3% of our net advertising revenues respectively in 2015. We recognize revenues from our advertising services on a net basis, deducting the agency service fees we pay to advertising agencies. Our number of advertisers reached 569, 612 and 705 as of December 31, 2013, 2014 and 2015, respectively.

We offer a wide variety of paid services primarily through our mobile channel, and, to a lesser extent, through our ifeng.com channel and video channel. We classify our paid service into (i) mobile value-added services, or MVAS, which includes wireless value-added services, or WVAS, mobile video, mobile digital reading, and mobile games through telecom operators’ platforms, and (ii) games and others, which includes web-based games, content sales, and other online and mobile paid services through our own platforms. We derived 76.7% and 23.3% of our paid service revenues, respectively, from our MVAS and games and others in 2015. We generate the majority of our paid service revenues from our MVAS by providing content to mobile device users and collecting revenue shares from the relevant mobile operator. Due to the decrease in wireless value-added services with telecom operators, our paid service revenues decreased from RMB560.7 million to RMB447.7 million in 2014. Due to the decrease in revenues generated from mobile value-added services with telecom operators and web-based games on our game platform, our paid service revenues decreased to RMB382.7 million (US\$59.1 million) in 2015.

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 (including mobile Internet) penetration, adoption of paid services, including 3G /4G mobile services, and smart phones. 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.

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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 paid services on both mobile operators’ platforms and our own platforms; and
- our ability to procure and produce content in a cost-effective manner.

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 annual report. 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; Principles of Consolidation and Recognition of Noncontrolling Interests

The consolidated financial statements include the financial statements of us, our subsidiaries, our affiliated consolidated entities, and the subsidiaries of our affiliated consolidated entities. The consolidated financial statements have been prepared in accordance with U.S. GAAP and on a going concern basis. All significant transactions and balances among us, our subsidiaries, our affiliated consolidated entities and the subsidiaries of our affiliated consolidated entities have been eliminated upon consolidation. We consolidate our affiliated consolidated entities and the subsidiaries of our affiliated consolidated entities as required by Accounting Standards Codification, or ASC, 810 *Consolidation*, because Fenghuang On-line and Qieyiyou (Beijing) Information Technology CO., Ltd. , or Qieyiyou hold all the variable interests of our affiliated consolidated entities and the subsidiaries of our affiliated consolidated entities and has been determined to be the primary beneficiary of our affiliated consolidated entities.

Use of Estimates

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires us 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. These estimates and assumptions include, but are not limited to, the accounting for advertising and paid service revenues, the determination of estimated selling prices of multiple elements revenues contract, accounting for income taxes and uncertain tax positions, allowance for doubtful accounts, share-based compensation, consolidation, foreign

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Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, service is performed and the collectability of the related fee is reasonably assured. In October 2009, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update, or ASU, 2009-13, *Multiple Deliverable Revenue Arrangements*, to address the accounting for multiple-deliverable arrangements. We have applied ASU 2009-13 through a retrospective application to all revenue arrangements for all years presented of the financial statements

(i) *Net Advertising Revenues*

Advertising revenues are derived principally from advertising arrangements where the advertisers pay to place their advertisements on our 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 our website are generally charged on the basis of duration, and advertising contractual arrangements are entered to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenues from advertising contractual arrangements are recognized ratably over the contract period of display.

The majority of our advertising revenue arrangements involve multiple element deliverables, including placements of different advertisement formats on our website over different periods of time. We break down the multiple element arrangements into single units of accounting when possible, and allocate total consideration to each single unit of accounting using the relative selling price method. For most deliverables in its multiple element arrangements, we use our best estimate of the selling price in the allocation as the vendor-specific objective evidence or third-party evidence of selling price is not available for those deliverables. The best estimate of the selling price is determined based on the publicly published advertising rate card, times the relevant discount rates, which are taking into considerations of the historical trend, the pricing of advertising areas sold with similar popularities, advertisements with similar formats and quoted prices from competitors, and other relevant market conditions. We recognize revenue on the elements delivered and defer the recognition of revenue for the estimated 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.

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 ASC 605-50-25, *Customer Payments and Incentives: Recognition*.

We enter into barter transactions involving advertising services and follow 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. We did not recognize revenues and expenses for advertising-for-advertising barter transactions since the fair value of the advertising services surrendered or received in the transaction is not determinable. Except for advertising-for-advertising barter transactions, we recognize revenue from barter transactions involving exchanging advertising services for content, technical, marketing services and others.

(ii) *Paid Service Revenues*

Paid service revenues are primarily derived from (i) MVAS and (ii) games and others.

MVAS. MVAS revenues are derived from providing mobile phone users with mobile digital reading services, mobile game services, mobile video services, and WVAS. WVAS include SMS, MMS, music services such as RBT and IVR services. Revenues from mobile digital reading services, mobile game services, mobile video services, and WVAS are charged on a monthly or per-usage basis. Revenues from MVAS 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.

We mainly contract with China Mobile and its subsidiaries, and to a lesser degree, with other mobile operators, for billing, collection and transmission services related to the MVAS offered to our 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 we are 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 most of mobile game services delivered through telecom operators and most WVAS, we are responsible to provide desired services to the customers and have primary responsibility and broad discretion to establish price. Therefore, we are considered the primary obligor in these transactions, and revenues from these services are recorded on a gross basis. Most of revenues from mobile digital reading services, music services and mobile video services are recorded on a net basis as we are acting as an agent of operators in these transactions. 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 MVAS revenues on a net basis. Consequently, recording MVAS 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.

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Due to the time lag between when the services are rendered and when the mobile operators' billing statements are received, most MVAS revenues are estimated based on our 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 our estimates and the operators' billing statements for all the years presented.

We also contract with China Mobile to provide news contents and other services to support China Mobile's own mobile newspaper products. A fixed fee is charged for the contract, and the revenues attributable to the news contents are recognized on a straight-line basis over the periods in which the news

contents are provided. Revenues attributable to other services are recognized when the other services are provided.

Games and others. Games and others include web-based games, mobile games, online digital reading, content sales, and other online and mobile paid services through our own platforms. Revenues from these services are recognized over the periods in which the services are performed, provided that no significant obligations remain, collection of the receivables is reasonably assured and the amounts can be accurately estimated.

For web-based game service, all of the web-based games provided on our platform are developed by third-party game developers and can be accessed and played by game players without downloading separate software. We primarily view the game developers to be our customers and consider our responsibility under our agreements with the game developers to be promotion of the game developers' games. We only collect payments from game players in connection with the sale of in-game virtual currencies and remit certain agreed-upon percentages of the proceeds to the game developers. Revenue from the sale of in-game virtual currency is recorded net of remittances to game developers and deferred until the estimated consumption date of the virtual items, which is within a short period of time, typically a few days, after purchase of the in-game virtual currency.

Mobile games are licensed from third-party developers. The game portfolio includes action, role-playing and casual games operated on smartphone mobile operation systems, such as iOS and Android. The basic game play functions are free of charge, and players are charged for purchases of in-game virtual items, including perpetual and consumable items. Revenues are recognized over the estimated lives of the perpetual items purchased by game players or as the consumable items are consumed. Most of the mobile game revenues are recorded on a gross basis as we are acting as the principal in offering services to the customers in the transactions.

We also provide online literature and provide video programming through our online subscription and pay-per-view services to the customers. Revenues from these services, which are recorded on a gross basis, are recognized evenly over the subscription period, or in the period in which a pay-per-view service is provided.

We generate revenues from video content sales agreements for television programming mainly produced by Phoenix TV Group. The video content sales agreements we enter 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*, we recognize revenues in respect of our 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 cooperation agreement signed with Phoenix TV Cooperation Agreement, we pay Phoenix TV 50% of the revenues we generated from sales of Phoenix TV's video content, which is recorded in our cost of revenues.

Expense Allocation with Phoenix TV

We and Phoenix TV Group have engaged in various mutual cooperation activities in content, branding and promotions, technical support and corporate management. There were no payments for these arrangements until November 2009, when we entered into the Phoenix TV Cooperation Agreement which stipulates the costs and expenses charged to us related to content and other services provided by Phoenix TV Group. The agreement was effective as of January 1, 2010. Accordingly, the related costs and expenses were recorded by us based on the Phoenix TV Cooperation Agreement. On March 28, 2011, Phoenix TV and we agreed to extend the Phoenix TV Cooperation Agreement's expiration date from November 2014 to March 2016. The consideration arrangements for the cooperation remained unchanged. And on March 24, 2016, Phoenix TV and we agreed to extend the Phoenix TV Cooperation Agreement's expiration date from March 27, 2016 to May 27, 2016.

Apart from the Phoenix TV Cooperation Agreement, Phoenix TV Group also paid certain expenses on our behalf, such as technical support services, data line usage and other general and administrative expenses, which we needed to settle with Phoenix TV Group based on the actual amount and were recorded in the consolidated statements of comprehensive income.

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Share-based Compensation

We have share incentive plans for the granting of share-based awards, including share options, restricted shares and restricted share units. We measure the cost of employee services received in exchange for share-based compensation at the grant date fair value of the award. We recognize the share-based compensation as costs and/or expenses in our consolidated statements of comprehensive income, net of estimated forfeitures, on a graded-vesting basis over the vesting term of the awards.

Cancellation of an award accompanied by the concurrent grant of a replacement award is accounted for as a modification of the terms of the cancelled award, or modification awards. The share-based compensation associated with the modification awards are recognized if either the original vesting condition or the new vesting condition has been achieved. Such compensation costs cannot be less than the grant-date fair value of the original award. The incremental compensation cost is measured as the excess of the fair value of the replacement award over the fair value of the cancelled award at the cancellation date. Therefore, in relation to the modification awards, we recognize share-based compensation over the vesting periods of the new options, which comprises, (1) the amortization of the incremental portion of share-based compensation over the remaining vesting term and (2) any unrecognized compensation cost of original award, using either the original term or the new term, whichever is higher for each reporting period.

We adopt the Black-Scholes option pricing model to determine the fair value of share options based on the fair value of underlying ordinary share at the grant date. The assumptions used in calculating the fair value of share options represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. The fair values of the options granted during 2013, 2014 and 2015 used the following assumptions.

	For the Years Ended December 31,		
	2013	2014	2015
Expected volatility rate	57.6%-58.42%	56.1%-57.5%	54.23%-54.32%
Expected dividend yield	—	—	—
Expected term (years)	6.16	5.81-6.16	5.91-6.16

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 vesting schedule and the exercise period of the options.

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

We determined the fair value of restricted share and restricted share units based on the fair value of the underlying ordinary shares at the grant date and considered the dilutive effect of restricted share and restricted share units.

Forfeiture rate are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. We use historical data to estimate pre-vesting option and restricted share units forfeitures and record share-based compensation only for those awards that are expected to vest.

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 an asset and 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 our consolidated statements of comprehensive income 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.

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On January 1, 2007, we adopted the provisions of ASC 740-10, *Income Taxes Overall*, which clarified the accounting for uncertainty in income taxes by prescribing the recognition and measurement thresholds a tax position is required to meet before being recognized in the financial statements. 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. Significant judgment is required in evaluating our uncertain tax positions and determining its provision for income taxes.

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 general allowance considering many factors, including but not limited to reviewing accounts receivable balances, historical bad debt rates, aging analysis, customer credit worthiness, and industry trend analysis. We also make the specific allowance if there is evidence showing that the receivable is unlikely to be collected. Accounts receivable balances are written off against the allowance when they are determined to be uncollectible. 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.

Foreign Currency

Our functional currency is the U.S. dollar. Our subsidiaries and affiliated consolidated entities in the British Virgin Islands, Hong Kong and China use their respective currencies as their functional currencies. 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 overseas. 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 comprehensive income, 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 adjustments 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 Determination Related to the Accounting for Deconsolidation

We recognized gain or loss in the net income when we lost control of our subsidiary according to ASC 810-10-40-5. In order to recognize the fair value of any retained noncontrolling investment in the former subsidiary at the date the subsidiary is deconsolidated, we use valuation techniques such as discounted cash flow analysis and ratio analysis in comparison to comparable companies in similar industries under the income approach, and market approach. Major factors considered include historical financial results and assumptions including future growth rates and an estimate of weighted average cost of capital. All the valuations have been performed by valuation specialists under our management's supervision. We believe that the estimated fair value of

any retained noncontrolling investment in the former subsidiary are based on reasonable assumptions. However, such assumptions are inherently uncertain and actual results could differ from those estimates.

Fair Value Determination Related to Financial Instruments Accounted for at Fair Value

We have a significant amount of financial instruments that are classified as Level 2 and Level 3 according to ASC 820 “Fair Value Measurement and Disclosures.” The financial instruments classified as Level 2 are term deposits and short term investments and short term loans. The valuations are provided by commercial banks. The valuation for the available-for-sale investments classified as Level 3 are determined based on unobservable inputs, such as historical financial results and assumptions about future growth rates, which require significant judgment to determine the future outcome, and an estimate of weighted average cost of capital. The valuation for the available-for-sale investments has been performed by valuation specialists under our management’s supervision. We believe that the estimated fair value of the available-for-sale investments is based on reasonable assumptions. However, such assumptions are inherently uncertain and actual results could differ from those estimates.

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Available-for-sale investments

Our available-for-sale investments consist of investments in the securities of a private company. Available-for-sale investments are reported at fair value, which is estimated by us after considering an independent appraisal performed by a reputable appraisal firm, with unrealized gains and losses, if any, recorded in the accumulated other comprehensive loss or income in shareholder’s equity. Realized gains and losses are reflected in earnings during the year in which the gains and losses are realized. An impairment loss on the available-for-sale investments would be recognized in the consolidated statements of comprehensive income when the decline in value is determined to be other-than-temporary. Investments with maturities of greater than 12 months are recorded in non-current assets.

Equity investments

Investments in entities in which we can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC topic 323 *Investments-Equity Method and Joint Ventures*. We adjust the carrying amount of equity method investment for its share of the earnings or losses of the investee and report the recognized earnings or losses in the consolidated statements of comprehensive income. Our shares of the earnings or losses of an investee are based on the shares of common stock and in-substance common stock held by us. Investments in entities in which we do not have significant influence and which does not have readily determinable fair value are accounted for using the cost method of accounting in accordance with ASC subtopic 325-20 *Investment-Other Cost Method Investment*. We assess our equity investments for other-than-temporary impairment by considering factors as well as all relevant and available information including, but not limited to, current economic and market conditions, the operating performance of the companies including current earnings trends and other company-specific information such as financing rounds.

Segment Reporting

Our segments are business units that offer different services and are reviewed separately by the chief operating decision maker (the “CODM”) in deciding how to allocate resources and in assessing performance. Our CODM has been identified as the Chief Executive Officer. As our long-lived assets and revenues are substantially located in and derived from the PRC, no geographical segments are presented.

Our organizational structure is based on a number of factors that the CODM uses to evaluate, view and run our business operations, which include, but are not limited to, customer base, homogeneity of products and technology. Our operating segments are based on our organizational structure and information reviewed by our CODM to evaluate the operating segment results.

Description of Key Statement of Comprehensive Income Items

Revenues

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

	For the Years Ended December 31,					
	2013		2014		2015	
	RMB	%	RMB	%	RMB	US\$
	(In thousands except percentages)					
Revenues:						
Net advertising revenues	863,737	60.6	1,190,158	72.7	1,226,516	189,342
Paid service revenues	560,738	39.4	447,702	27.3	382,680	59,076
Total revenues	<u>1,424,475</u>	<u>100.0</u>	<u>1,637,860</u>	<u>100.0</u>	<u>1,609,196</u>	<u>248,418</u>

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Revenues

We derive our revenues from advertising services and paid services.

Advertising services. Our net advertising revenues accounted for 60.6%, 72.7% and 76.2% of our total revenues in 2013, 2014 and 2015, respectively. We generate our net advertising revenues from payments made by advertisers to place advertisements through our channels for particular durations of time.

We provide our advertising services through our ifeng.com and video channel, as well as our mobile channel. The advertising formats we offer generally include banners, videos, text-links, logos, buttons and rich media. Our average revenue per advertiser, or ARPA, increased from RMB1.5 million in 2013 to RMB1.9 million in 2014. Such increase in ARPA was driven by greater demand for our advertising services resulting from our user traffic growth 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. However, our ARPA decreased to RMB1.7 million (US\$0.3 million) in 2015 primarily because the weak macro economy in China and less demand to PC advertisement. Total number of our advertisers increased by 15.2% to 705 in 2015 primarily due to the increase of our mobile advertisers.

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 and video pre-roll advertisements 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 related parties, including Phoenix TV, for joint TV and online advertising solutions which we provide together with Phoenix TV to certain Phoenix TV advertising customers, China Mobile and our investees for online advertising services. We also record these revenues as net advertising revenues earned from related parties. Our net advertising revenues earned from related parties accounted for 5.2%, 4.7% and 5.8% of our net advertising revenues in 2013, 2014 and 2015, respectively.

Paid Services. Our paid service revenues contributed 39.4%, 27.3% and 23.8% of our total revenues in 2013, 2014 and 2015, respectively. The following table sets forth our paid service offerings and their respective contributions to our paid service revenues and total revenues in 2013, 2014 and 2015, respectively.

Paid Service Offerings (1)	For the Years Ended December 31,					
	% of Paid Service Revenues			% of Total Revenues		
	2013	2014	2015	2013	2014	2015
MVAS (2)	83.4	75.3	76.7	32.9	20.6	18.2
Games and others (3)	16.6	24.7	23.3	6.5	6.7	5.6

(1) With respect to our paid services: (i) Tianying Jiuzhou conducts MVAS and games and others, and (ii) Yifeng Lianhe conducts MVAS.

(2) MVAS includes WVAS, mobile video, mobile digital reading, and mobile games through telecom operators' platforms.

(3) Games and others include web-based games, mobile games, content sales, and other online and mobile paid services through our own platforms.

We generate most of our paid service revenues from the following products and services:

- 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 SMS, MMS, RBT, and IVR. 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—Paid Service Revenues."

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- Mobile Digital Reading Services.* We mainly earn revenues from our mobile 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 revenue sharing fees. We also generate a small portion of our revenues from digital reading services from subscription fees for e-book reading services through telecom operators' platforms. We recognize our mobile digital reading revenues on a net basis.
- Mobile Video Services.* We generate mobile video services revenues from our mobile subscription and pay-per-view video services by providing short video clips to mobile phone users through the mobile video platforms of telecom operators, primarily China Mobile and China Telecom. Telecom operators' 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 our mobile video services in the periods in which the service is performed and on a net basis.
- Mobile Games Services delivered through the Telecom Operators' Platforms.* We currently offer mobile games through telecom operators' gaming platforms, which allow users to download our game programs using GPRS and 3G technologies. We recognize most of revenues for mobile games on a gross basis.
- Mobile Games.* We collect payments from game players through the sale of in-game virtual items, including perpetual and consumable items. Revenues are recognized over the estimated lives of the perpetual items purchased by game players or as the consumable items are consumed. Most of mobile game revenues are recorded on a gross basis as we are acting as the principal in offering services to the customers in the transactions.

- *Web-based Games.* We operate third-party developed web-based games on our game platform, play.ifeng.com. We record the revenues from selling in-game currencies net of remittances to game developers and defer until the estimated consumption date of the virtual items, which is typically within a short period of time after purchase of the in-game virtual currency.
- *Others.* We earn revenues from our online subscription and pay-per-view video services by offering short clips on our dedicated video vertical, v.ifeng.com. In addition, we generate revenues through our video content sales services by sublicensing content we obtain from Phoenix TV to third parties, and generate a small amount of revenues at present from selling our in-house produced video content to third parties. We also generate a small portion of revenues from pay-per-view and subscription services by offering online literature on our ifeng.com platforms.

Our paid service revenues earned from China Mobile, a related party, accounted for 73.7%, 64.9% and 71.5% of our paid service revenues in 2013, 2014 and 2015, respectively. We generated paid service revenues of RMB357.1 million, RMB240.9 million and RMB262.7 million (US\$40.6 million) from providing services to customers of China Mobile and collecting fees through arrangements with China Mobile in 2013, 2014 and 2015, respectively. In the same years, we derived paid service revenues of RMB56.3 million, RMB49.8 million and RMB10.8 million (US\$1.7 million), respectively, from fixed fees from China Mobile for our digital reading service.

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Cost of Revenues

Our cost of revenues consists primarily of (1) revenue sharing fees, including service fees retained by mobile operators, which are recognized as cost of revenues for revenues recorded on a gross basis, and revenue sharing fees paid to 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) sales taxes and surcharges. The following table sets forth the components of our cost of revenues by amount and by percentage of total revenues for the years indicated.

	For the Years Ended December 31,					
	2013		2014		2015	
	RMB	%	RMB	%	US\$	%
(In thousands except percentages)						
Cost of revenues:						
Revenue sharing fees	249,797	17.5	192,076	11.7	216,973	13.5
Content and operational costs	277,038	19.5	376,555	23.0	406,741	25.3
Bandwidth costs	76,583	5.4	83,233	5.1	83,170	5.2
Sales taxes and surcharges	92,937	6.5	129,768	7.9	122,502	7.6
Total cost of revenues	<u>696,355</u>	<u>48.9</u>	<u>781,632</u>	<u>47.7</u>	<u>829,386</u>	<u>51.5</u>

Revenue Sharing Fees. We share the revenues generated from these services with the mobile operators through whose networks and/or service platforms we offer our services to our users, and record the revenue sharing fee as cost of revenues. We also share the revenues generated from our MVAS with channel partners through whose platforms we market and distribute our services. We also share certain MVAS revenues with content providers, as applicable. The percentage allocations for our revenue sharing are determined with the relevant parties and vary by service.

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 staff, (ii) payments we make to third-party professional media companies, (iii) revenue sharing fees we pay to Phoenix TV Group for sales of its video content, (iv) the license fees we pay to Phoenix TV Group for the use of its content, (v) production costs related to our in-house produced content, and (vi) operational costs which consist of channel testing costs, event costs incurred in connection with advertising revenue-generating activities, rental costs, depreciation and amortization costs, 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.

Sales Taxes and Surcharges. Business tax is imposed by the Chinese 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 applicable business tax and surcharges rate for our revenues generally ranged from 3.4% to 5.6%. The implementation of the Value Added Tax Pilot Program, or VAT Pilot Program, began on January 1, 2012 in Shanghai and on September 1, 2012 in Beijing, and was then expanded to seven other provinces and municipalities by the end of 2012. Commencing on August 1, 2013, the implementation of the VAT Pilot Program has been expanded to all regions in the PRC. As a result of the VAT Pilot Program, the advertising revenues and other “modern service” revenues, such as games and others services revenues earned by our entities and technical service fees paid by affiliated consolidated entities to us, are subject to VAT and surcharges at a rate of approximately 6.7%. On April 29, 2014, the Ministry of Finance and the State Administration of Taxation jointly issued Notice No. 43, pursuant to which the telecommunications industry was included in the scope of the VAT Pilot Program for transformation from the business tax to VAT starting from June 1, 2014. As a result, our MVAS revenues are subject to VAT and surcharges at a rate of approximately 6.7% from June 1, 2014. On March 23, 2016, the Ministry of Finance and the SAT jointly issued the Circular on the Pilot Program for Overall Implementation of the Collection of VAT Instead of Business Tax, or Circular 36, which will take effect on May 1, 2016 and replace Notice No. 43. Pursuant to the Circular 36, all of the companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay VAT, in lieu of business tax. We were also subject to a cultural development fee on the provision of advertising services in China, at an applicable tax rate of 3% of the advertising services revenues. For more information about such taxes, surcharges and fees, see “—Taxation.” For more information about risks related to potential changes in the taxes applicable to us, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—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.”

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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 is included in our operating expenses as they are incurred. The increase in operating expenses from 2013 to 2014 was primarily due to increased personnel-related costs, increased marketing and promotional initiatives including mobile traffic acquisition expenses. The increase in operating expenses from 2014 to 2015 was primarily attributable to the increased mobile traffic acquisition expenses and bad debt provision.

The following table sets forth our operating expenses, divided into their major categories, by amount and by percentage of total revenues for the years indicated.

	For the Years Ended December 31,					
	2013		2014		2015	
	RMB	%	RMB	%	RMB	US
	(In thousands except percentages)					
Operating expenses:						
Sales and marketing expenses	273,399	19.2	330,777	20.2	346,133	53,434
General and administrative expenses	97,849	6.9	137,818	8.4	183,989	28,403
Technology and product development expenses	108,683	7.6	149,996	9.2	170,714	26,354
Total operating expenses	479,931	33.7	618,591	37.8	700,836	108,191

Sales and Marketing Expenses. Our sales and marketing expenses consist primarily of sales and marketing personnel-related expenses, including sales commissions, advertising and promotion expenses, mobile traffic acquisition expenses, rental expenses, and depreciation and amortization expenses.

General and Administrative Expenses. Our general and administrative expenses primarily consist of personnel-related expenses for management and administrative staff, professional service expenses, bad debt provision, rental expenses, and depreciation and amortization expenses.

Technology and Product Development Expenses. Our technology and product development expenses mainly consist of personnel-related expenses associated with the development and maintenance of, and enhancement to our websites, expenses associated with new technology and product development and enhancement, rental expenses, and depreciation and amortization expenses.

Share-based Compensation

We measure the cost of employee services received in exchange for share-based compensation at the grant date fair value of the award. We recognize share-based compensation, net of forfeitures, on a graded-vesting basis over the vesting term of the award. We adopt the Black-Scholes option pricing model to determine the fair value of stock options, and determine the fair value of restricted share and restricted share units based on the fair value of the underlying ordinary shares at the grant date considering the dilutive effect of restricted share and restricted share units. We account for share-based compensation 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 is recorded net of estimated forfeitures such that expenses are recorded only for share-based awards that are expected to vest.

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Related Party Transactions

In 2013, 2014 and 2015, we have entered into transactions with our related parties Phoenix TV and China Mobile that impact our net advertising revenues, paid service revenues, cost of revenues, sales and marketing expenses and general and administrative expenses. In 2014 and 2015, we also generated revenues from and provide loans or advances to certain investees. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.” The following table sets forth the significant transactions with our related parties.

	For the Years Ended December 31,			
	2013	2014	2015	
	RMB	RMB	RMB	US\$
	(In thousands)			
Transactions with the non-US listed part of Phoenix TV Group :				
Contents provided by Phoenix TV Group	(3,477)	(3,757)	(4,730)	(730)
Data line services provided by Phoenix TV Group	(392)	(363)	(180)	(28)
Advertising and promotion expenses charged by Phoenix TV Group	(1,040)	(1,246)	(1,788)	(276)
Corporate administrative expenses charged by Phoenix TV Group	(404)	(354)	(1,812)	(280)
Project cost charged by Phoenix TV Group	—	—	(55)	(8)
Revenues earned from Phoenix TV Group and its customers	28,911	25,168	16,510	2,549
Transactions with China Mobile:				
Advertising revenues earned from China Mobile	16,216	29,643	35,787	5,525
Paid service revenues earned from and through China Mobile	413,407	290,755	273,510	42,223
Revenue sharing fees and bandwidth cost to China Mobile	(72,622)	(41,766)	(44,359)	(6,848)
Transactions with Investees :				
Loans provided to Phoenix FM	—	4,300	8,000	1,235
Advances provided to Phoenix FM	—	482	71	11
Loans repaid from Phoenix FM	—	(800)	—	—
Advertising revenues earned from Tianbo	—	421	4,384	677
Advances provided to Tianbo	—	—	1,177	182
Advertising revenues earned from Lilita	—	333	14,414	2,225
Brand license authorization revenues earned from Lilita	—	855	3,155	487
Advertising resources provided by Tianbo	—	(31)	(39)	(6)
Advances provided to Fenghuang Jingcai	—	—	409	63

Other Income

Our other income reflects interest income, foreign currency exchange gain or loss, gain on disposition of subsidiaries and acquisition of equity investments, loss from equity investments including impairments, gain on disposal of an equity investment and acquisition of available-for-sale investments and others, net.

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.

Our subsidiaries incorporated in the British Virgin Islands are exempted from tax on their foreign-derived income and are not subject to withholding taxes. Our subsidiaries incorporated in Hong Kong are subject to a tax rate of 16.5% on the estimated assessable profit arising in Hong Kong.

Each of our PRC subsidiaries and our affiliated consolidated entities are obligated to pay income tax in the PRC. Prior to January 1, 2008, companies established in China were generally subject to state and local corporate income taxes, or EIT, at statutory rates of 30% and 3%, respectively. Pursuant to the income tax laws and rules then in effect, 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 an HNTE was entitled to a preferential EIT rate of 15%. Fenghuang On-line was qualified as a New Technology Enterprise.

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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 HNTEs irrespective of whether they are foreign invested enterprises or domestic companies. The EIT Law became effective on January 1, 2008.

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 to continue to enjoy their unexpired tax holiday provided by the previous income tax laws and rules.

Under the previous income tax laws and rules prior to January 1, 2008, Fenghuang On-line qualified as a New Technology Enterprise, could enjoy a favorable income tax rate of 15%, was exempted from income tax for three years beginning with its first year of operations, was entitled to a 50% tax reduction to 7.5% for the subsequent three years, and was subject to an income tax rate of 15% thereafter. Fenghuang On-line continued to meet the criteria for New Technology Enterprise from 2008 to 2010, and it has also been qualified as an HNTE under the EIT Law in 2008, and it can continue to enjoy its unexpired tax holidays. In 2011 and 2014, Fenghuang On-line resubmitted applications for qualification as an HNTE, which were approved in October 2011 and November 2014, respectively. Therefore, Fenghuang On-line was entitled to a tax exemption from 2006 to 2008, a 50% reduction of its applicable EIT rate to 7.5% from 2009 to 2011 and subjected to an income tax rate of 15% for the years of 2012 to 2016.

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 HNTE status under the EIT Law, then it was entitled to pay tax at the rate of 7.5%. Circular 157 appears 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 an HNTE 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. If Circular 157 were implemented with a retroactive effect, Fenghuang On-line would be liable to pay additional taxes for its historical earnings before the implementation of this circular. We did not recognize liability for this uncertainty as we believe the probability of a retroactive implementation is remote.

In 2008, Tianying Jiuzhou qualified as an HNTE under the EIT Law. Therefore, Tianying Jiuzhou was entitled to the preferential tax rate of 15% from 2008 to 2010. In 2011 and 2014, Tianying Jiuzhou resubmitted applications for qualification and was approved as an HNTE. Therefore, Tianying Jiuzhou is eligible for a 15% EIT rate from 2011 to 2016.

Yifeng Lianhe was qualified as an HNTE under the EIT Law in 2011, and therefore was subject to 15% income tax rate from 2011 to 2012. In 2013, Yifeng Lianhe was no longer qualified as an HNTE pursuant to the joint annual inspection by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, and was subject to a 25% EIT rate from 2013.

In 2012, Fenghuang Yutian was qualified as a Software Enterprise. As 2013 was the first year Fenghuang Yutian generated taxable profit, it was exempted from EIT for years 2013 and 2014, and was subject to a 12.5% EIT rate from 2015 to 2017.

All our other PRC subsidiaries and affiliated consolidated entities were subject to a 25% EIT rate for all the years presented.

Under the EIT Law, dividends paid from our PRC subsidiaries are subject to a withholding tax at 10%. This new dividend withholding tax, however, will only be levied on our PRC subsidiaries 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.

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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, we do not believe that it is likely that our operations outside of the PRC should be considered a resident enterprise for PRC tax purposes. However, there is limited guidance and implementation history with respect to the EIT Law. Should we 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.

Business tax is imposed by the Chinese 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 applicable business tax and surcharges rate for our revenues generally ranged from 3.4% to 5.6%. The implementation of the VAT Pilot Program began on January 1, 2012 in Shanghai and on September 1, 2012 in Beijing, and was then expanded to seven other provinces and municipalities by the end of 2012. Commencing on August 1, 2013, the implementation of the VAT Pilot Program has been expanded to all regions in the PRC. As a result of the VAT Pilot Program, the advertising revenues and other “modern service” revenues, such as games and others services revenues earned by our entities and technical service fees paid by affiliated consolidated entities to us, are subject to VAT and surcharges at a rate of approximately 6.7%. On April 29, 2014, the Ministry of Finance and the State Administration of Taxation jointly issued Notice No. 43, pursuant to which the telecommunications industry would be included in the scope of the VAT Pilot Program for the transformation from the business tax to VAT from June 1, 2014. As a result, the Group’s MVAS revenues are subject to VAT and surcharges at a rate of approximately 6.7% from June 1, 2014. On March 23, 2016, the Ministry of Finance and the SAT jointly issued the Circular on the Pilot Program for Overall Implementation of the Collection of VAT Instead of Business Tax, or Circular 36, which will take effect on May 1, 2016 and replace Notice No. 43. Pursuant to the Circular 36, all of the companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay VAT, in lieu of business tax. We were also subject to a cultural development fee on the provision of advertising services in China, at an applicable tax rate of 3% of the advertising services revenues. For more information about risks related to potential changes in the taxes applicable to us, see “Item 3. Key Information — D. Risk Factors — Risks Relating to Our Business and Industry — 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.”

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A. Results of Operations
Selected Consolidated Financial Information

The following table sets forth the selected consolidated statements of comprehensive income data by amount and by percentage of total revenues for the years indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results you may expect for future periods.

	For the Years Ended December 31,						
	2013		2014		2015		
	RMB	%	RMB	%	RMB	US\$	%
(In thousands, except for percentages, number of shares and per share (or ADS) data)							
Consolidated Statements of Comprehensive Income Data							
Revenues:							
Net advertising revenues	863,737	60.6	1,190,158	72.7	1,226,516	189,342	76.2
Paid service revenues	560,738	39.4	447,702	27.3	382,680	59,076	23.8
Total revenues	1,424,475	100.0	1,637,860	100.0	1,609,196	248,418	100.0
Cost of revenues (1)	(696,355)	(48.9)	(781,632)	(47.7)	(829,386)	(128,035)	(51.5)
Gross profit	728,120	51.1	856,228	52.3	779,810	120,383	48.5
Operating expenses (1) :							
Sales and marketing expenses	(273,399)	(19.2)	(330,777)	(20.2)	(346,133)	(53,434)	(21.5)
General and administrative expenses	(97,849)	(6.9)	(137,818)	(8.4)	(183,989)	(28,403)	(11.4)
Technology and product development expenses	(108,683)	(7.6)	(149,996)	(9.2)	(170,714)	(26,354)	(10.6)
Total operating expenses	(479,931)	(33.7)	(618,591)	(37.8)	(700,836)	(108,191)	(43.6)
Income from operations	248,189	17.4	237,637	14.5	78,974	12,192	4.9
Other income	67,422	4.7	72,859	4.4	18,928	2,922	1.2
Income before tax	315,611	22.1	310,496	18.9	97,902	15,114	6.1
Income tax expense	(37,588)	(2.6)	(48,377)	(3.0)	(25,517)	(3,939)	(1.6)
Net income	278,023	19.5	262,119	15.9	72,385	11,175	4.5
Net loss attributable to noncontrolling interests	1,531	0.1	972	0.1	1,199	185	0.1
Net income attributable to Phoenix New Media Limited	279,554	19.6	263,091	16.0	73,584	11,360	4.6
Net income	278,023	19.5	262,119	15.9	72,385	11,175	4.5
Other comprehensive income, net of tax: fair value remeasurement for available-for-sale investments	—	—	40,283	2.5	15,869	2,450	1.0

Other comprehensive (loss)/income, net of tax: foreign currency translation adjustment	(23,179)	(1.6)	4,503	0.3	22,813	3,522	1.4
Comprehensive income	254,844	17.9	306,905	18.7	111,067	17,147	6.9
Comprehensive loss attributable to noncontrolling interests	1,531	0.1	972	0.1	1,199	185	0.1
Comprehensive income attributable to Phoenix New Media Limited	256,375	18.0	307,877	18.8	112,266	17,332	7.0

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	For the Years Ended December 31,						
	2013		2014		2015		
	RMB	%	RMB	%	RMB	US\$	
	(In thousands, except for percentages)						
Non-GAAP gross profit	735,413	51.6	872,523	53.3	786,145	121,360	48.9
Non-GAAP income from operations	264,912	18.6	290,818	17.8	113,328	17,495	7.0
Non-GAAP net income attributable to Phoenix New Media Limited (2)	296,277	20.8	305,150	18.6	145,156	22,409	9.0

Notes:

(1) Includes share-based compensation as follows:

	For the Years Ended December 31,			
	2013	2014	2015	
	RMB	RMB	RMB	US\$
	(In thousands)			
Allocation of share-based compensation:				
Cost of revenues	7,293	16,295	6,335	978
Sales and marketing expenses	3,922	10,200	3,043	470
General and administrative expenses	3,662	20,927	21,836	3,371
Technology and product development expenses	1,846	5,759	3,140	485
Total share-based compensation included in cost of revenues and operating expenses	16,723	53,181	34,354	5,304

(2) We define adjusted net income attributable to Phoenix New Media Limited, a non-GAAP financial measure, as net income attributable to Phoenix New Media Limited excluding share-based compensation, loss from equity investments including impairments, gain on disposition of subsidiaries and acquisition of investments, and gain on disposal of an equity investment and acquisition of available-for-sale investments. We believe that separate analysis and exclusion of the non-cash impact of share-based compensation, loss from equity investments including impairments, gain on disposition of subsidiaries and acquisition of investments, and gain on disposal of an equity investment and acquisition of available-for-sale investments add clarity to the constituent parts of our performances. We review adjusted net income attributable to Phoenix New Media Limited together with net income attributable to Phoenix New Media Limited 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 and loss from equity investments including impairments, which have been and will continue to be significant recurring expenses in our business. However, the use of adjusted net income attributable to Phoenix New Media Limited has material limitations as an analytical tool. One of the limitations of using non-GAAP adjusted net income attributable to Phoenix New Media Limited is that it does not include all items that impact our net income attributable to Phoenix New Media Limited for the period. In addition, because adjusted net income 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 attributable to Phoenix New Media Limited in isolation from or as an alternative to net income attributable to Phoenix New Media Limited prepared in accordance with U.S. GAAP.

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Our non-GAAP adjusted net income attributable to Phoenix New Media Limited is calculated as follows for the years presented:

	For the Years Ended December 31,			
	2013	2014	2015	
	RMB	RMB	RMB	US\$
	(In thousands)			
Net income attributable to Phoenix New Media Limited	279,554	263,091	73,584	11,360
Excluding:				
Share-based compensation	16,723	53,181	34,354	5,304
Loss from equity investments including impairments	—	18,538	41,861	6,462
Gain on disposition of subsidiaries and acquisition of equity investments	—	(29,660)	—	—
Gain on disposal of an equity investment and acquisition of available-for-sale investments	—	—	(4,643)	(717)
Non-GAAP adjusted net income attributable to Phoenix New Media Limited	296,277	305,150	145,156	22,409

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

Revenues. Our revenues for the years ended December 31, 2014 and 2015 were RMB1.6 billion and RMB1.6 billion (US\$248.4 million), respectively. Our ARPA decreased to RMB1.7 million (US\$0.3 million) in 2015 primarily because the weak macro economy in China and less demand to PC advertisement. Total number of our advertisers increased by 15.2% to 705 in 2015 primarily due to the increase of our mobile advertisers. Paid service revenues decreased by 14.5% from RMB447.7 million in 2014 to RMB382.7 million (US\$59.1 million) in 2015. This decrease was mainly due to the decrease in revenues generated from mobile value-added services with telecom operators and web-based games on the Company's game platform.

Cost of Revenues. Our cost of revenues increased by 6.1% from RMB781.6 million in 2014 to RMB829.4 million (US\$128.0 million) in 2015. Cost of revenues as a percentage of our revenues increased from 47.7% in 2014 to 51.5% in 2015.

- **Revenue sharing fees.** Our revenue sharing fees increased by 13.0% from RMB192.1 million in 2014 to RMB217.0 million (US\$33.5 million) in 2015 primarily due to the increased sales of higher revenue sharing products.
- **Content and operational costs.** Our content and operational costs increased by 8.0% from RMB376.6 million in 2014 to RMB406.7 million (US\$62.8 million) in 2015 primarily due to an increase in personnel-related cost and advertisement-related content production costs. Personnel-related cost increased mainly due to a general increase in salary.
- **Bandwidth costs.** Our bandwidth costs for the years ended December 31, 2014 and 2015 were RMB83.2 million and RMB83.2 million (US\$12.8 million), respectively.
- **Sales taxes and surcharges.** Our sales taxes and surcharges decreased by 5.6% from RMB129.8 million in 2014 to RMB122.5 million (US\$18.9 million) in 2015. This decrease was primarily due to the decrease in paid service revenue.
- **Share-based compensation.** Our share-based compensation allocated to cost of revenues as part of content and operational costs above, decreased from RMB16.3 million in 2014 to RMB6.3 million (US\$1.0 million) in 2015. This decrease was mainly due to the increase of the estimated forfeiture rate of share-based awards.

As a result of the foregoing, our gross profit decreased by 8.9% from RMB856.2 million in 2014 to RMB779.8 million (US\$120.4 million) in 2015. Our gross margin decreased from 52.3% in 2014 to 48.5% in 2015 mainly due to increased revenue sharing fees and content and operational costs.

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Operating Expenses. Our operating expenses increased by 13.3% from RMB618.6 million in 2014 to RMB700.8 million (US\$108.2 million) in 2015, primarily due to the increased mobile traffic acquisition expenses and bad debt provision. Our operating expenses as a percentage of revenues increased from 37.8% in 2014 to 43.6% in 2015.

- **Sales and marketing expenses.** Our sales and marketing expenses increased by 4.6% from RMB330.8 million in 2014 to RMB346.1 million (US\$53.4 million) in 2015. This increase was mainly due to the increase in traffic acquisition expenses.
- **General and administrative expenses.** Our general and administrative expenses increased by 33.5% from RMB137.8 million in 2014 to RMB184.0 million (US\$28.4 million) in 2015. This increase was mainly due to the increase in bad debt provision. Our bad debt provision had been increased due to the increase of collectible days of our accounts receivables based on the weak macroeconomic conditions in China, and a few one-off specific bad debts due to the tighten of regulations from certain industries in the second half of 2015.
- **Technology and product development expenses.** Our technology and product development expenses increased by 13.8% from RMB150.0 million in 2014 to RMB170.7 million (US\$26.4 million) in 2015. This increase was primarily due to the increase in personnel-related expenses.
- **Share-based compensation.** Our share-based compensation allocated to each of the three categories of operating expenses decreased by 24.1% from RMB36.9 million in 2014 to RMB28.0 million (US\$4.3 million) in 2015. This decrease was mainly due to the increase of the estimated forfeiture rate of share-based awards.

Related Party Transactions

- Our net advertising revenues from related parties increased by 27.9% from RMB55.6 million in 2014 to RMB71.0 million (US\$11.0 million) in 2015, which was primarily attributable to advertising revenues earned from Phoenix TV Group and its customers, China Mobile and our investees.
- Our paid service revenues from related parties decreased by 5.1% from RMB291.6 million in 2014 to RMB276.7 million (US\$42.7 million) in 2015, which was primarily attributable to the decrease in paid service revenues generated from China Mobile.
- Our cost of revenues due to transactions with related parties increased by 7.5% from RMB45.9 million in 2014 to RMB49.4 million (US\$7.6 million) in 2015, which was primarily due to the increase in revenues sharing and bandwidth cost with China Mobile.
- Our operating expenses due to transactions with related parties increased by 125.0% from RMB1.6 million in 2014 to RMB3.6 million (US\$0.6 million) in 2015, which was attributable to an increase expense incurred by Phoenix TV Group on our behalf.

Other Income. Our other income decreased by 74.0% from RMB72.9 million in 2014 to RMB18.9 million (US\$2.9 million) in 2015. The decrease in other income in 2015 was mainly due to the decrease in interest income, net, gain on disposition of subsidiaries and acquisition of equity investments and the increase in loss from equity investments including impairments.

Income Tax Expense. Our income tax expense decreased by 47.3% from RMB48.4 million in 2014 to RMB25.5 million (US\$3.9 million) in 2015. Our effective tax rate increased from 13.5% in 2014 to 16.0% in 2015. The increase in effective tax rate was mainly due to the effect of changes to certain preferential tax benefits, for example, the income tax rate for Fenghuang Yutian changed from 0% in 2014 to 12.5% in 2015.

Net Income Attributable to Phoenix New Media Limited. As a result of the foregoing, net income attributable to our company decreased by 72.0% from RMB263.1 million in 2014 to RMB73.6 million (US\$11.4 million) in 2015.

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

Revenues. Our revenues increased by 15.0% from RMB1.4 billion in 2013 to RMB1.6 billion in 2014. This increase was largely attributable to the growth in our net advertising revenues resulting from an increase in average revenue per advertiser (“ARPA”), from RMB1.5 million in 2013 to RMB1.9 million in 2014. Such increase in ARPA was driven by greater demand for our advertising services resulting from our user traffic growth 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. Paid service revenues decreased by 20.2% from RMB560.7 million in 2013 to RMB447.7 million in 2014. This decrease mainly due to the decrease in WVAS revenues from RMB266.5 million in 2013 to RMB175.6 million in 2014 resulting from the decrease in user demands.

Cost of Revenues. Our cost of revenues increased by 12.2% from RMB696.4 million in 2013 to RMB781.6 million in 2014. Cost of revenues as a percentage of our revenues decreased from 48.9% in 2013 to 47.7% in 2014.

- **Revenue sharing fees.** Our revenue sharing fees decreased by 23.1% from RMB249.8 million in 2013 to RMB192.1 million in 2014 primarily due to decrease in WVAS revenues.
- **Content and operational costs.** Our content and operational costs increased by 35.9% from RMB277.0 million in 2013 to RMB376.6 million in 2014 primarily due to an increase in personnel-related cost and advertisement-related content production costs. Personnel-related cost increased mainly due to increase in headcount and a general increase in salary.
- **Bandwidth costs.** Our bandwidth costs increased by 8.7% from RMB76.6 million in 2013 to RMB83.2 million in 2014 due to traffic growth over both PC and mobile platforms.
- **Sales taxes and surcharges.** Our sales taxes and surcharges increased by 39.6% from RMB92.9 million in 2013 to RMB129.8 million in 2014. This increase was primarily due to the growth in net advertising revenues.
- **Share-based compensation.** Our share-based compensation allocated to cost of revenues as part of content and operational costs above, increased from RMB7.3 million in 2013 to RMB16.3 million in 2014. This increase was mainly due to newly grant of options in 2013 and 2014.

As a result of the foregoing, our gross profit increased by 17.6% from RMB728.1 million in 2013 to RMB856.2 million in 2014. Our gross margin increased from 51.1% in 2013 to 52.3% in 2014 mainly due to the increased revenue contribution from advertising.

Operating Expenses. Our operating expenses increased by 28.9% from RMB479.9 million in 2013 to RMB618.6 million in 2014, primarily due to an increase in selling and marketing expenses and research and development expenses. Our operating expenses as a percentage of revenues increased from 33.7% in 2013 to 37.8% in 2014.

- **Sales and marketing expenses.** Our sales and marketing expenses increased by 21.0% from RMB273.4 million in 2013 to RMB330.8 million in 2014. This increase was mainly due to the increase in marketing and promotional initiatives including traffic acquisition expenses and personnel-related expenses.
- **General and administrative expenses.** Our general and administrative expenses increased by 40.8% from RMB97.8 million in 2013 to RMB137.8 million in 2014. This increase was mainly due to the increase in personnel-related expenses.
- **Technology and product development expenses.** Our technology and product development expenses increased by 38.0% from RMB108.7 million in 2013 to RMB150.0 million in 2014. This increase was primarily due to the increase in personnel-related expenses.
- **Share-based compensation.** Our share-based compensation allocated to each of the three categories of operating expenses increased by 291.2% from RMB9.4 million in 2013 to RMB36.9 million in 2014. This increase was mainly due to newly grant of options in the 2013 and 2014.

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Related Party Transactions

- Our net advertising revenues generated from related parties increased by 23.1% from RMB45.1 million in 2013 to RMB55.6 million in 2014, which was primarily attributable to advertising revenues earned from China Mobile and Phoenix TV Group and its customers.
- Our paid service revenues generated from related parties decreased by 29.5% from RMB413.4 million in 2013 to RMB291.6 million in 2014, which was primarily attributable to the decrease in revenues generated from wireless value-added services with China Mobile.
- Our cost of revenues due to transactions with related parties decreased by 40.0% from RMB76.5 million in 2013 to RMB45.9 million in 2014, which was primarily due to the decrease in revenue sharing fees paid to China Mobile.

Our operating expenses due to transactions with related parties increased by 10.8% from RMB1.4 million in 2013 to RMB1.6 million in 2014, which was attributable to increased expenses incurred by Phoenix TV Group on our behalf.

Other Income. Our other income increased by 8.1% from RMB67.4 million in 2013 to RMB72.9 million in 2014. The increase in other income in 2014 was mainly due to gain on disposition of subsidiaries and acquisition of equity investments.

Income Tax Expense. Our income tax expense increased by 28.7% from RMB37.6 million in 2013 to RMB48.4 million in 2014. Our effective tax rate increased from 12.9% in 2013 to 13.5% in 2014.

Net Income Attributable to Phoenix New Media Limited. As a result of the foregoing, net income attributable to our company decreased by 5.9% from RMB279.6 million in 2013 to RMB263.1 million in 2014.

B. Liquidity and Capital Resources

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

	For the Years Ended December 31,			
	2013	2014	2015	
	RMB	RMB	RMB	US\$
	(In thousands)			
Net cash provided by operating activities	347,802	273,474	220,812	34,090
Net cash (used in)/provided by investing activities	(351,336)	393,172	(1,256,868)	(194,028)
Net cash (used in)/provided by financing activities	(64,679)	(223,744)	64,366	9,937
Effect of exchange rate changes on cash and cash equivalents	(2,818)	(2,193)	(3,488)	(541)
Net (decrease)/increase in cash and cash equivalents	(71,031)	440,709	(975,178)	(150,542)
Cash and cash equivalents at the beginning of the year	916,169	845,138	1,285,847	198,501
Cash and cash equivalents at the end of the year	845,138	1,285,847	310,669	47,959

As of December 31, 2015, we had RMB310.7 million (US\$48.0 million) in cash and cash equivalents. Our cash and cash equivalents consist of cash on hand and demand deposits, 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. As of December 31, 2015, we also had RMB769.7 million (US\$118.8 million) in term deposits and short term investments with maturities up to one year. We believe that our operating cash flows, existing cash balances and term deposits and short term investments will be sufficient to meet our anticipated cash needs for the next twelve months.

We are a holding company, and we rely principally on dividends and other distributions from our subsidiaries in China for our cash requirements. Current PRC regulations permit our subsidiaries 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 subsidiaries 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.

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Any earnings that our PRC subsidiaries distribute would be paid to our offshore intermediate holding company primarily through dividends. To date, our PRC subsidiaries have not paid dividends to us. As a holding company, we have not required cash for our operations outside of China and therefore our PRC subsidiaries have retained their earnings for the purpose of conducting our business operations in China. As of December 31, 2013, 2014 and 2015, our PRC subsidiaries' retained earnings were RMB492.6 million, RMB693.0 million and RMB799.8 million (US\$123.5 million), respectively.

Although we currently anticipate that we will be able to fund operations for at least the next twelve months with operating cash flows, existing cash balances and term deposits and short term investments, we may 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 additional credit facilities. 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 2015, our operating activities generated net cash of RMB220.8 million (US\$34.1 million). This was primarily due to (i) net income of RMB72.4 million, (ii) non-cash adjustments which primarily include depreciation and amortization expenses of RMB45.5 million mainly attributable to increased acquisition of property and equipment, provision for allowance for doubtful accounts of RMB49.3 million, impairment of intangible assets of RMB3.8 million, loss from equity investments including impairments of RMB41.9 million and share-based compensation of RMB34.4 million, (iii) an increase in accounts payable of RMB24.4 million primarily due to increases in our revenue sharing fees and advertising agency fees, and (iv) a decrease in amounts due from related parties of RMB41.4 million primarily due to the settlement of advertising revenues earned from Phoenix TV Group. These items were partially offset by (i) an increase in deferred income tax of RMB11.4 million, (ii) an increase in accounts receivable of RMB59.8 million mainly attributable to the increase in days of receivable recovery and (iii) an increase in prepayments and other current assets of RMB18.3 million.

In 2014, our operating activities generated net cash of RMB273.5 million. This was primarily due to (i) net income of RMB262.1 million, (ii) non-cash adjustments which primarily include depreciation and amortization expenses of RMB36.3 million mainly attributable to increased acquisition of property and equipment, and share-based compensation of RMB53.2 million mainly attributable to newly granted options in 2013 and 2014, (iii) an increase in accounts payable of RMB63.4 million primarily due to increases in our revenue sharing fees and advertising agency fees, (iv) an increase in taxes payable of RMB36.4 million due to increased labor costs and (v) an increase in accrued expenses and other current liabilities of RMB41.1 million primarily due to increases in deposits from advertising agencies. These items were partially offset by (i) gain on disposition of subsidiaries and acquisition of equity investments of RMB29.7 million, (ii) an increase in accounts receivable of RMB180.9 million mainly attributable to increase in our advertising revenues, and (iii) an increase in amounts due from related parties of RMB50.7 million mainly attributable to increase in our advertising revenues earned from Phoenix TV Group and its customers and affiliates.

In 2013, our operating activities generated net cash of RMB347.8 million. This was primarily due to (i) net income of RMB278.0 million, (ii) non-cash adjustments which primarily include depreciation and amortization expenses of RMB31.5 million mainly attributable to increased acquisition of property and equipment, and share-based compensation of RMB16.7 million mainly attributable to newly granted options in 2013, (iii) an increase in accounts payable of RMB69.5 million primarily due to increases in our revenue sharing fees and advertising agency fees, and (iv) an increase in salary and welfare payable of RMB35.2 million due to increased labor costs. These items were partially offset by (i) an increase in accounts receivable of RMB75.0 million mainly attributable to increase in our advertising revenues, and (ii) an increase in amounts due from related parties of RMB61.3 million mainly attributable to increase in our advertising revenues earned from Phoenix TV Group and its customers.

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Investing Activities

We had net cash used in investing activities of RMB1.3 billion (US\$194.0 million) for 2015. This was primarily due to (i) placement of term deposits and short term investments of RMB3.3 billion, (ii) cash paid for available-for-sale investments in Particle of RMB352.0 million, and (iii) capital expenditures of RMB43.5 million as described in “—Capital Expenditures”, (iv) restricted cash of RMB125.0 million deposited with a bank to secure our offshore short-term loans of RMB123.6 million, offset by the maturity of term deposits and short term investments of RMB2.6 billion.

We had net cash provided by investing activities of RMB393.2 million for 2014. This was primarily due to maturity of term deposits and short term investments of RMB4.1 billion, offset by (i) placement of term deposits and short term investments of RMB3.6 billion, (ii) capital expenditures of RMB35.4 million and (iii) payments for investments of RMB74.5 million.

We had net cash used in investing activities of RMB351.3 million for 2013. This was primarily due to maturity of term deposits and short term investments of RMB2.4 billion, offset by (i) placement of term deposits and short term investments of RMB2.7 billion and (ii) capital expenditures of RMB29.2 million.

Financing Activities

We had net cash provided by financing activities of RMB64.4 million (US\$9.9 million) for 2015, mainly attributable to proceeds from short-term loans of RMB123.6 million and proceeds from exercise of stock option of RMB6.9 million, offset by RMB66.4 million used in connection with the repurchase of our ADS. For more information regarding our share repurchases, see “Item 16E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers.”

We had net cash used in financing activities of RMB223.7 million for 2014, mainly attributable to RMB242.5 million used in connection with the repurchase of our ADSs, partly offset by capital contribution received from noncontrolling shareholders of RMB10.0 million and inflow of proceeds from exercise of stock options of RMB8.8 million.

We had net cash used in financing activities of RMB64.7 million for 2013, mainly attributable to RMB65.2 million used in connection with the repurchase of our ADSs, partly offset by inflow of proceeds from exercise of stock options of RMB0.5 million.

Capital Expenditures

We had capital expenditures of RMB29.2 million, RMB35.4 million and RMB43.5 million (US\$6.7 million) in 2013, 2014 and 2015, respectively. The capital expenditures were mainly attributable to purchasing servers and network equipment. We expect capital expenditures to decrease by approximately RMB6.8 million in 2016. We plan to fund our capital expenditures in 2016 with cash flows from our operations and cash and cash equivalents.

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Recently Issued Accounting Standards

In April 2015, the FASB issued Accounting Standards Update (ASU) No.2015-03, Interest — Imputation of Interest (“Subtopic 835-30”): Simplifying the Presentation of Debt Issuance Costs. The standard requires companies to present debt issuance costs the same way they currently present debt discounts, as a direct deduction from the carrying value of that debt liability. ASU2015-03 does not impact the recognition and measurement guidance for debt issuance costs. For public businesses, ASU No. 2015-03 will be effective for fiscal years starting after December 15, 2015, including any interim periods within those years. Early adoption of ASU No. 2015-03 will be allowed for financial statements that have yet to be issued. The amendments of ASU No. 2015-03 must be applied retrospectively, where the balance sheet of each presented individual period is adjusted to indicate the period-specific impact of using the new guidance. During the transition phase, a business must adhere to the appropriate disclosures for an adjustment in an accounting principle. Such disclosures include why the change in accounting principle is occurring, the method of transition, a explanation of the previous period’s information that was retrospectively adjusted, and how the change impacts the financial statement line items (i.e., debt issuance cost asset and the debt liability).The implementation of this update is not expected to have any material impact on our consolidated financial statements.

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers-Deferral of the effective date (“ASU 2015-14”). The amendments in ASU 2015-14 defer the effective date of ASU No. 2014-09, Revenue from Contracts with Customers issued in May 2014. According to the amendments in ASU 2015-14, the new revenue guidance ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. We are in the process of evaluating its contracts with customers under the new standard and cannot currently estimate the financial statement impact of adoption.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes-Balance Sheet Classification of Deferred Taxes (“ASU 2015-17”). The amendments in this update simplify the presentation of deferred income taxes. ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in ASU 2015-17 are effective for fiscal years beginning after December 15, 2016

including interim periods within those fiscal years. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. As of December 31, 2015, deferred tax assets and deferred tax liabilities of RMB36.0 million (US\$5.6 million) and nil respectively were classified as current.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (“Topic 718”). The new update will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. The standard also will allow an employer to repurchase more of an employee’s shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. The guidance is effective for us on January 1, 2017. Early application is permitted in any annual or interim period for which financial statements haven’t been issued or made available for issuance, but all of the guidance must be adopted in the same period. We are currently evaluating the impact on its consolidated financial statements of adopting this guidance.

C. Research and Development, Patents and Licenses, etc.

Product Development

See “Item 4. Information on the Company—B. Business Overview—Product Development.”

Intellectual Property

See “Item 4. Information on the Company—B. Business Overview—Intellectual Property.”

D. Trend Information

Please refer to “—A. Results of Operations” for a discussion of the most recent trends in our services, sales and marketing since the end of 2015. In addition, please refer to discussions included in such Item for a discussion of known trends, uncertainties, demands, commitments or events that we believe are reasonably likely to have a material effect on our net sales and operating revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information to be not necessarily indicative of our future operating results or financial condition.

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E. 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.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2015.

	Payments Due by Period					
	Total	2016	2017	2018	2019	2020 and Thereafter
	(RMB in thousands)					
Rental	67,034	42,092	20,441	3,356	1,145	—
Bandwidth purchases	29,736	22,781	6,955	—	—	—
Cooperation with Phoenix TV Group	1,526	1,526	—	—	—	—
Content purchases	31,400	20,398	5,929	2,795	1,587	691
Property and equipment, and intangible assets	245	193	52	—	—	—
Others	2,863	2,518	200	60	60	25
Total	132,804	89,508	33,577	6,211	2,792	716

As a result of our adoption of Accounting Standard Codification 740 “Income Taxes” (ASC 740), we recorded an unrecognized tax benefit of RMB18.4 million (US\$2.8 million) as of December 31, 2015 and recognized it as long-term liabilities, as ASC 740 specifies that tax positions for which the timing of the ultimate resolution is uncertain should be recognized as long-term liabilities. At this time, we are unable to make a reasonable estimate on the timing of payments in individual years beyond 12 months due to uncertainties in the timing. As a result, this amount is not included in the table above.

G. Safe Harbor

This annual report on Form 20-F 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 cost or expense items;
- our ability to continue and manage the expansion of our operations; and
- changes in general economic and business conditions in China.

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The forward-looking statements made in this annual report on Form 20-F relate only to events or information as of the date on which the statements are made in this annual report on Form 20-F. 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 annual report on Form 20-F and the documents that we reference in this annual report on Form 20-F and have filed as exhibits hereto 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 annual report on Form 20-F 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.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors as of the date of this annual report.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Keung Chui	65	Chairman of the Board of Directors
Shuang Liu	47	Director, Chief Executive Officer
Ya Li	46	Director, President
Daguang He	59	Director
Ka Keung Yeung	57	Director
Carson Wen	64	Independent Director
Jerry Juying Zhang	56	Independent Director
Betty Yip Ho	47	Chief Financial Officer
Shu Liu	46	Senior Vice President
Andy Jin Xu	37	Senior Vice President

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 was also promoted to the position of chief operating officer of Phoenix TV in February 2014. 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.

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Ya Li has served as our director since the establishment of Phoenix New Media Limited in November 2007. He was promoted to our president in July 2014. Mr. Li joined our company in June 2006 as our chief operating officer and jointly served as our chief financial officer until November 2010. Mr. Li has also served as the chairman of Phoenix FM since August 2013. 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 was appointed as the executive vice president of Phoenix TV and Phoenix Satellite Television Company Limited on 10 October 2015 and has served as our director since 2009. Mr. He is also a member of the risk management committee of Phoenix TV. Mr. He joined Phoenix TV in 2001, since then he served as chief financial officer (mainland China) and vice president of Phoenix TV. He is currently responsible for the administration, personnel and

financial matters of Phoenix TV, and assists on Phoenix TV's departmental coordination, management of daily affairs and operation. Mr. He graduated from Shaanxi Institute of Finance and Economics in 1983. Since his graduation, Mr. He worked for China International Water & Electric Corporation as the deputy chief accountant and the managing director subsequently. During such period, Mr. He was mainly responsible for business and financial management in respect of investment and development projects in collaboration with various international financial institutions.

Ka Keung Yeung has served as our director since May 2011. 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).

Carson Wen has served as an independent director of our company since May 2011. Mr. Wen is an Of Counsel at Jones Day, and has more than 30 years of experience in business, corporate and securities law. 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 is 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), and the Pacific Basin Economic Council. He is a member of the Business Advisory Council of the United Nation Economic and Social Commission for Asia and the Pacific (UNESCAP) and the chairman of its Green Business Task Force. He was a deputy of the National People's Congress of the PRC. 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. Mr. Wen currently serves as an independent director for Winox Limited (HKEx: 6838).

Jerry Juying Zhang has served as an independent director of our company since May 2011. Mr. Zhang has been a managing director of China Orient Asset Management (International) in Hong Kong since March 2015. He was a senior managing director of CITIC Capital Holdings Limited between June 2009 and December 2014. 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.

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Betty Yip Ho joined our company as chief financial officer in October 2013. Ms. Ho has over 20 years of professional experience working for publicly listed companies, and in investment banking and private equity fields in multiple sectors including Internet, TMT, manufacturing and consumer retail. Before joining us, Ms. Ho served as chief financial officer for Rock Mobile Corporations from 2011 to 2013, and chief financial officer and executive director for A8 Digital Music Holdings Limited (HKEx: 800) from 2007 to 2011. From 2001 to 2007, she was the senior vice president at LJ International Inc. (NASDAQ: JADE) responsible for corporate finance, investor relations and mergers and acquisitions. In 1998, Ms. Ho cofounded the Strategic Capital Group, an e-commerce private equity firm. Prior to that, she held management positions in audit and direct investment with Arthur Andersen & Co and United Overseas Bank (UOB) Asia. Ms. Ho received her Bachelor degree of Commerce in Finance from the University of Toronto and is a Certified Public Accountant as well as member of the AICPA and HKICPA.

Shu Liu, our Senior Vice President, joined our company in December 2010 and is responsible for content production and product development for mobile, PC and video platforms, as well as implementing our verticalization strategy. Prior to her promotion to Senior Vice President in March 2015, she served as the Company's Vice President and Chief Editor since December 2010. Ms. Liu has over 20 years of experience working in both Internet and media industries. Prior to joining our company, she served in numerous senior and executive editorial positions at various Internet and media companies including Beijing Morning Post, Sina.com and MSN China. Ms. Liu holds a B.A. in History from Peking University.

Andy Jin Xu, our Senior Vice President, joined our company in October 2013 and is responsible for the advertising sales, marketing and branding activities, and auto channel development of the Company. Mr. Xu has over 15 years of professional experience within the advertising and Internet industry. Prior to his promotion to Senior Vice President in April 2015, Mr. Xu served as the company's Vice President. Before joining us, Mr. Xu served as Managing Director of J Walter Thompson, which is owned by the WPP Group, and CEO of LINTAS China, one of the leading 4A advertising companies in China. Mr. Xu is a member of the Academic Committee of the Chinese Advertising Association, the Vice General Secretary of the Internet Marketing Committee of the Internet Society of China, a researcher of the New Media Marketing Communication CCM Research Center of Peking University, the academic director of the China Campus Marketing Institute (CMI), a part-time Professor for the College of Creative Culture and Communication at Zhejiang Normal University, a master's instructor for Communication University of China and prestigious instructor of Fudan University journalism academy. Mr. Xu also served as a final judge for more than ten regional Chinese marketing awards.

B. Compensation of Directors, Supervisors and Executive Directors

For the year ended December 31, 2015, we paid an aggregate of approximately US\$2.2 million in cash to our executive officers and directors.

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." We have already granted the full number of awards that were authorized under the 2011 restricted share and restricted share unit plan. In June and August 2012, the shareholders of each of Phoenix TV and our company, respectively, approved a refreshment of the total number of Class A

ordinary shares which may be issued upon exercise of all options to be granted under the 2008 share option plan and any other share incentive plan of our company (excluding awards previously granted, outstanding, cancelled, lapsed or exercised), thereby authorizing our company to grant additional options to purchase up to 31,410,107 Class A ordinary shares. In June 2014, our shareholders approved another refreshment authorizing us to grant additional options to purchase up to 28,401,492 Class A ordinary shares. Since July 2014, we have issued options to purchase 25,827,951 Class A ordinary shares.

Plan Administration. Our compensation committee administers the share incentive plans and determines 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.

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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.

As of March 31, 2016, 2,708,503 contingently issuable shares and options to purchase 42,271,395 Class A ordinary shares were outstanding, and there were 7,862,041 Class A ordinary shares available for future issuance upon the exercise of future grants under the share incentive plans. The table below sets forth, as of March 31, 2016, the awards that we granted in 2015 and are outstanding to our directors and executive officers:

Name	Class A Ordinary Shares Underlying Outstanding Awards	Exercise Price or Purchase Price (US\$/Share)	Date of Grant	Date of Expiration
Shuang Liu	*	US\$ 0.9155	July 16, 2015	July 15, 2025
Ya Li	*	US\$ 0.9155	July 16, 2015	July 15, 2025
Betty Yip Ho	—	—	—	—
Shu Liu	*	US\$ 0.9155	July 16, 2015	July 15, 2025
Andy Jin Xu	*	US\$ 0.9155	July 16, 2015	July 15, 2025
Total	3,600,000			

* Less than 1% of our total outstanding Class A ordinary shares.

As of March 31, 2016, other employees in aggregate held awards entitling them to receive 27,507,947 Class A ordinary shares, with exercise prices ranging from US\$0 to US\$1.3100 per Class A ordinary share. We granted awards to our employees under the share incentive plans in November 2008, July 2009, September 2009, January 2010, July 2010, March 2011, March 2013, May 2013, October 2013, December 2013, March 2014, June 2014, July 2014, October 2014 and July 2015.

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C. Board Practices

Board of Directors

Our board of directors currently consists of seven directors. Our directors are 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. Subject to any separate requirement for audit committee approval and unless disqualified by the chairman of the meeting, 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

We have established three committees under the board of directors: the audit committee, the compensation committee and the corporate governance and nominating committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Jerry Juying Zhang and Carson Wen. Our board of directors has determined that each of Jerry Juying 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 Juying Zhang is 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 oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is 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.

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Compensation Committee. Our compensation committee consists of Shuang Liu, Daguang He, Jerry Juying Zhang and Carson Wen. Our board of directors has determined that each of Jerry Juying Zhang and Carson Wen satisfies the "independence" requirements of Section 303A of the NYSE Manual. Shuang Liu is the chairman of our compensation committee. 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 is 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 consists 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. Keung Chui is the chairman of our corporate governance and nominating committee. 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 is 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.

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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. Subject to laws, 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. No benefits are payable to members of the board upon termination of their relationship with us.

D. Employees

See "Item 4. Information on the Company—B. Business Overview—Employees."

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E. Share Ownership

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 March 31, 2016:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of each class of our ordinary shares.

The calculations in the tables below assume there are 253,326,102 Class A ordinary shares and 317,325,360 Class B ordinary shares, outstanding as of March 31, 2016. 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 annual report on Form 20-F, 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.

	Class A Ordinary Shares Beneficially Owned	
	Number	% (1)
Class A ordinary shares		
Keung Chui	—	—
Shuang Liu (2)	13,651,000	5.4
Ya Li (3)	9,457,928	3.7
Daguang He	—	—
Ka Keung Yeung	—	—
Carson Wen	—	—
Jerry Juying Zhang	—	—
Betty Yip Ho (4)	*	*
Shu Liu	*	*
Andy Jin Xu	*	*
All Directors and Executive Officers as a Group (5)	27,526,072	10.9
Principal Shareholders:		
International Value Advisers, LLC (6)	3,472,340	1.4

* Less than 1% of our total outstanding Class A ordinary shares.

(1) Percentages disclosed are with respect to Class A ordinary shares.

- (2) Represents 13,651,000 Class A ordinary shares, including 8,170,000 Class A ordinary shares in the form of ADSs.
- (3) Represents 9,457,928 Class A ordinary shares, including 5,795,928 Class A ordinary shares in the form of ADSs.
- (4) Represents options to purchase Class A ordinary shares.
- (5) Represents 27,526,072 Class A ordinary shares, including 15,365,603 Class A ordinary shares in the form of ADSs.
- (6) Information based on the Amendment No.1 to Schedule 13G filed on February 12, 2016 by International Value Advisers, LLC. The principal business office of International Value Advisers, LLC is 717 Fifth Avenue, 10th Floor, New York, NY 10022.

	Class B Ordinary Shares Beneficially Owned	
	Number	% (1)
Class B ordinary shares		
Phoenix Satellite Television (B.V.I.) Holding Limited (2)	317,325,360	100.0

- (1) Percentages disclosed are with respect to Class B ordinary shares.
- (2) Information based on the Schedule 13G filed on February 14, 2012 on behalf of Phoenix Satellite Television Holdings Limited and Phoenix Satellite Television (B.V.I.) Holding Limited. Represents 317,325,360 Class B ordinary shares. 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.

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As of March 31, 2016, 243,911,884 Class A ordinary shares or 96.3% of our outstanding Class A ordinary shares in the form of ADSs are held by one record holder in the United States, Deutsche Bank Trust Company Americas. Because many of these shares are held by brokers or other nominees, we cannot ascertain the exact number of beneficial shareholders with addresses in the United States.

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. Our major shareholders have the same voting rights as our other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership”

B. Related Party Transactions

Phoenix TV, through its wholly owned subsidiary, is our controlling shareholder, with beneficial ownership and voting power of 55.6% and 62.0%, respectively, of our outstanding ordinary shares as of March 31, 2016. Phoenix TV has 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 subsidiaries, Fenghuang On-line, and our affiliated consolidated entities. See “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our Affiliated Consolidated Entities.”

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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. 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. The annual service payment to Phoenix TV for 2015 is RMB4.9 million. 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. 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.

Considering the significant growth and changes in our business since execution of these agreements in 2009, we and Phoenix TV are working on a new set of agreements to amend and replace the existing Phoenix TV Cooperation Agreement and the Content License Agreements and provide the terms of our future cooperation. While each of the existing agreements would have expired in March 2016, we and Phoenix TV agreed to extend the expiration date of these agreements to May 27, 2016 so that we have more time to finalize the terms of the new agreements.

Costs for content production provided to us by Phoenix TV Group were RMB3.5 million, RMB3.8 million and RMB4.7 million (US\$0.7 million) in 2013, 2014 and 2015, respectively. Costs for data line services provided to us by Phoenix TV Group were RMB0.4 million, RMB0.4 million and RMB0.2 million (US\$0.03 million) in 2013, 2014 and 2015, respectively. We were charged by Phoenix TV Group for advertising and promotion expenses of RMB1.0 million, RMB1.2 million and RMB1.8 million (US\$0.3 million) in 2013, 2014 and 2015, respectively. We were also charged corporate administrative expenses by Phoenix TV Group in the total amounts of RMB0.4 million, RMB0.4 million and RMB1.9 million (US\$0.3 million) in 2013, 2014 and 2015, respectively.

We provided joint advertising campaign solutions together with Phoenix TV Group to Phoenix TV Group's advertisers from which we earned advertising revenues of RMB28.9 million, RMB25.2 million and RMB16.5 million (US\$2.5 million) in 2013, 2014 and 2015, respectively.

As of December 31, 2013, 2014 and 2015, we had accounts due from Phoenix TV Group in the amounts of RMB52.0 million, RMB77.3 million and RMB20.1 million (US\$3.1 million), respectively, and accounts due to Phoenix TV Group in the amounts of RMB20.8 million, RMB21.9 million and RMB17.1 (US\$2.6 million), respectively.

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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. 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.

Considering the significant growth and changes in our business since execution of these agreements in 2009, we and Phoenix TV are working on a new set of agreements to amend and replace the existing Trademark License Agreements and provide the terms of our future cooperation. While each of the existing agreements would have expired in March 2016, we and Phoenix TV agreed to extend the expiration date of these agreements to May 27, 2016 so that we have more time to finalize the terms of the new agreements.

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, 2016, China Mobile held 19.7% of the outstanding shares of Phoenix TV. In each of 2013, 2014 and 2015, 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, provide media and content resource, and China Mobile agreed to pay fees of RMB52.8 million, RMB40.0 million and RMB19.8 million (US\$3.0 million) for such content purchased by China Mobile during the period covering 2013 to 2016. 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.

We obtained revenues for our paid services through China Mobile of RMB413.4 million, RMB290.8 million and RMB273.5 million (US\$42.2 million) in 2013, 2014 and 2015, respectively. We earned revenues from China Mobile for advertising services of RMB16.2 million, RMB29.6 million and RMB35.8 million (US\$5.5 million) in 2013, 2014 and 2015, respectively. We incurred revenue sharing and bandwidth costs in connection with MVAS provided through China Mobile's platform in the amounts of RMB72.6 million, RMB41.8 million and RMB44.4 million (US\$6.8 million) in 2013, 2014 and 2015, respectively.

As of December 31, 2013, 2014 and 2015, we had accounts due from China Mobile in the amounts of RMB73.1 million, RMB74.3 million and RMB58.3 million (US\$9.0 million), respectively, and accounts due to China Mobile in the amounts of RMB0.2 million, RMB0.6 million and RMB1.8 million (US\$0.3 million), respectively.

Cooperation Agreement and License Agreement with Lilita

In September 2014, Tianying Jiuzhou entered into a brand authorization cooperation agreement with Lilita, or the Lilita Cooperation Agreement, pursuant to which, Tianying Jiuzhou granted Lilita an exclusive right to use its brand resources, including operating on the platform of jr.ifeng.com, for the purpose of conducting P2P lending and reward-based crowd-funding businesses. Lilita is obligated to pay Tianying Jiuzhou an annual license fee of RMB3.0

million for using its brand resources under the Lilita Cooperation Agreement. In December 2014, Tianying Jiuzhou and Lilita further entered into a platform license agreement, pursuant to which Lilita was granted an exclusive right to conduct P2P lending and reward-based crowd-funding businesses on the platforms of www.ifeng.com, 3g.ifeng.com and v.ifeng.com for a term of three years. Lilita is obligated to pay Tianying Jiuzhou an annual license fee of RMB0.17 million for the first two years and RMB0.16 million for the third year for conducting businesses on the licensed platforms. In December 2015, Tianying Jiuzhou and Lilita further entered into an advertisement cooperation framework agreement, or the Lilita Framework Agreement, pursuant to which Lilita agreed to place, and Tianying Jiuzhou agreed to launch, internet advertisements provided by Lilita from time to time on the websites and mobile applications operated by Tianying Jiuzhou. The Lilita Framework Agreement amended the Lilita Cooperation Agreement by enlarging the scope of advertising services to be provided by Tianying Jiuzhou to Lilita, by increasing the annual revenue cap for the calendar year ending December 31, 2015 to HK\$17.5 million, by increasing the annual revenue cap for the calendar year ending December 31, 2016 to HK\$38 million, and by setting the annual revenue cap for the calendar year ending December 31, 2017 at HK\$57 million.

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Loans to Particle

In January 2016, our board of directors authorized us to grant short-term unsecured loans to Particle in an aggregate principal amount of up to US\$20 million at an interest rate of 4.35% per annum and with a term of twelve months. We have granted all of US\$20 million loans to Particle as of the date of this annual report. Particle is required to use the proceeds of the loans for its working capital requirements in the ordinary course of its business.

Loans and advances provided to Phoenix FM

We have provided financial support to Phoenix FM in the form of unsecured short-term loans and financial advanced expenses. Phoenix FM was our subsidiary in 2013 and became our affiliate in 2014. The largest amount of our loans and financial advanced expenses to Phoenix FM outstanding during 2014 and 2015 was RMB7.1 million and RMB15.2 million, respectively. As of December 31, 2014 and 2015, the outstanding balance of our loans and financial advanced expenses to Phoenix FM was RMB7.1 million and RMB15.2 million (US\$2.3 million), respectively. In February 2016, Phoenix FM repaid certain of the financial advanced expenses and loans. As of the date of this annual report the outstanding amount of our loans to Phoenix FM is RMB8.0 million (US\$1.2 million) which has been fully impaired as of December 31, 2015. We charge interest on all of our loans to Phoenix FM at the bank loan benchmark interest rate effective in China during the life of the loans.

Our loans to Phoenix FM are unsecured and do not have any priority over Phoenix FM's other debts. Therefore, if Phoenix FM becomes unable to repay all of its debts, we will be competing with Phoenix FM's other unsecured creditors for its remaining assets. In particular, Mr. Ya Li, a director and the president of our company and the chairman of Phoenix FM, granted a loan in the amount of RMB10.8 million to Phoenix FM in 2015, which ranks pari passu with our loans. Mr. Ya Li informed us that he granted the loan for his personal investment purpose and used his personal fund for the loan.

In April 2016, our audit committee ratified all of our past loans to Phoenix FM and authorized us to grant unsecured, short-term loans to Phoenix FM in an aggregate principal amount of up to RMB13.0 million (including loans outstanding as of the date of the audit committee's authorization), each with a term of twelve months but repayable upon our demand. Phoenix FM is required to use the proceeds of the loans for its working capital requirements in the ordinary course of its business.

Advertisement Agreement with Tianbo

In 2013, Tianying Jiuzhou and Tianbo entered into an Agreement on Operation and Advertisement Agency for Real Estate Channel and an Advertisement Source Purchase Agreement, pursuant to which, Tianying Jiuzhou granted Tianbo the exclusive right to operate our real estate channel (house.ifeng.com) and act as the exclusive agent for placement of real estate advertisements on ifeng.com (房天下). As of December 31, 2015, the amount due from Tianbo was RMB22.1 million (US\$3.4 million). In February 2016, Tianbo repaid RMB10.0 million (US\$1.5 million).

Other Transactions with Certain Directors and Affiliates

See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors, Supervisors and Executive Officers".

Share Incentive Plans

See "Item 6. Directors, Senior Management and Employees—Compensation of Directors, Supervisors and Executive Officers—Share Incentive Plans."

C. Interests of Experts and Counsel

Not applicable.

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ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Please refer to Item 18 for a list of our annual consolidated financial statements filed as part of this annual report on Form 20-F.

Legal Proceedings

See "Item 4. Information on the Company—B. Business Overview—Legal and Administrative Proceedings."

Dividend Policy and Distributions

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 subsidiaries 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 subsidiaries 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 subsidiaries in China are required to set aside a certain amount of their accumulated after-tax profits each year to fund statutory reserves. These reserves may not be distributed as cash dividends. Further, if our subsidiaries in China incur 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 Class A 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.

B. Significant Changes

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

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ITEM 9. THE OFFER AND LISTING

Our ADSs, each representing eight of Class A ordinary shares, have been listed on the New York Stock Exchange since May 12, 2011 under the symbol “FENG.” The table below shows, for the periods indicated, the high and low market prices on the New York Stock Exchange for our ADSs.

	Market Price for Each ADS	
	High US\$	Low US\$
Annual highs and lows		
2013	13.38	3.39
2014	13.58	7.42
2015		
Quarterly highs and lows		
Second quarter 2013	5.89	3.40
Third quarter 2013	12.57	5.03
Fourth quarter 2013	13.38	8.08
First quarter 2014	13.58	8.75
Second quarter 2014	11.40	8.71
Third quarter 2014	11.31	9.30
Fourth quarter 2014	10.46	7.42
First quarter 2015	8.67	5.64
Second quarter 2015	9.90	5.60
Third quarter 2015	8.06	3.87
Fourth quarter 2015	6.19	4.31
First quarter 2016	5.98	3.31
Second quarter 2016 (through April 26, 2016)	4.56	3.93
Monthly highs and lows		
October 2015	4.99	4.33
November 2015	5.15	4.31
December 2015	6.19	4.70
January 2016	5.98	4.25
February 2016	4.45	3.31
March 2016	4.65	3.69
April 2016 (through April 26, 2016)	4.56	3.93

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing eight of our ordinary shares, have been trading on the New York Stock Exchange since May 12, 2011 under the symbol “FENG.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

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ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We incorporate by reference into this annual report the description of our second amended and restated memorandum and articles of association contained in our Form F-1 registration statement (File No. 333-173666), as amended, initially filed with the Commission on April 21, 2011. Our shareholders adopted our second amended and restated memorandum and articles of association on April 21, 2011.

C. Material Contracts

In the past three fiscal years, we have not entered into any material contracts other than in the ordinary course of business or other than those described elsewhere in this annual report.

D. Exchange Controls

See “Item 4. Information on the Company—B. Business Overview—Regulatory Matters—Regulation of Foreign Exchange Control and Administration.”

E. Taxation

Cayman Islands Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company. The undertaking for the Company is for a period of twenty years from 4 December 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

An exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of 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.

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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 to our non-PRC enterprise investors with respect to our Class A ordinary shares or ADSs, or the gain our non-PRC enterprise investors 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. In addition, it is unclear whether our non-PRC individual investors would be subject to any PRC tax in the event we are deemed a “PRC resident enterprise.” If any PRC tax were to apply to such dividends or gains of non-PRC individual investors, it would generally apply at a tax rate of 20%. Furthermore, 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 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;

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- 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 depositor, 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 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), which are listed on the New York Stock Exchange, are 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 “Item 10. Additional Information—E. 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).

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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. 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 generally 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.

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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 are 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 only our ADSs and not our Class A ordinary shares are 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 in each such 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, in each year that we are a PFIC, 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, 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. Subject to the discussion under "—Passive Foreign Investment Company" above, 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. However, in the event that we are deemed to be a PRC “resident enterprise” under the PRC tax law and PRC tax is imposed on any gain from the sale or exchange of our ADSs or Class A ordinary shares, a United States Holder eligible for the benefits of the income tax treaty between the United States and the PRC may be able to elect to treat such gain as PRC-source income. 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 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 of 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.

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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 timely 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.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We have filed this annual report on Form 20-F, including exhibits, with the SEC. As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

You may read and copy this annual report, including the exhibits incorporated by reference in this annual report, at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC’s regional offices in New York, New York, and Chicago, Illinois. You can also request copies of this annual report, including the exhibits incorporated by reference in this annual report, upon payment of a duplicating fee, by writing to the SEC’s Public Reference Room for information.

The SEC also maintains a website that contains reports, proxy statements and other information about issuers, such as us, who file electronically with the SEC. The address of that website is <http://www.sec.gov>. The information on that website is not a part of this annual report.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES 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 advertising and paid services we provided through China Mobile for the years ended December 31, 2013, 2014 and 2015 were RMB429.6 million, RMB320.4 million and RMB309.3 million (US\$47.7 million), respectively, which accounted for 30.2%, 19.6% and 19.2% of our total revenue in the respective years.

We had accounts receivable from China Mobile as of December 31, 2014 and 2015 of RMB74.3 million and RMB58.3 million (US\$9.0 million), respectively, which are included on our balance sheets 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, term deposits and short term investments and restricted cash, as well as credit exposures to receivables due from our customers, related parties and other parties.

We believe that there is no significant credit risk associated with cash and cash equivalents, term deposits and short term investments and restricted cash 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.

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In January 2016, our board of directors authorized us to grant short-term unsecured loans to Particle in an aggregate principal amount of up to US\$20 million at an interest rate of 4.35% per annum and with a term of twelve months. We have granted all of US\$20 million loans to Particle as of the date of this annual report. Our audit committee authorized us to grant short-term loans to Phoenix FM in an aggregate principal amount of up to RMB13.0 million with a term of twelve months but repayable upon our demand. As of the date of this annual report, the outstanding amount of our loans to Phoenix FM has been fully impaired. Particle and Phoenix FM are required to use the proceeds of the loans for their working capital requirements in the ordinary course of their businesses. We depend on the ability of Particle and Phoenix FM to generate sufficient cash flow from their operations or financing activities to repay our loans. As such, we are exposed to the credit risk of Particle and Phoenix FM.

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.

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 change in the Consumer Price Index in China was 2.6%, 2.0% and 1.4% in 2013, 2014 and 2015, 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. We do not anticipate being exposed to material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Foreign Currency Risk

Substantially all our revenues and expenses are denominated in Renminbi. We have not had any material foreign exchange gains or losses. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the foreign exchange rate between U.S. dollars relative to the Renminbi because the value of our business is effectively denominated in Renminbi, while the ADSs are traded in U.S. dollars. Furthermore, a decline in the value of the Renminbi could reduce the U.S. dollar equivalent of the value of the earnings from, and our investments in, our subsidiaries and PRC-incorporated affiliates in China. In addition, appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar would affect our reported financial results in U.S. dollar terms. As of December 31, 2015, we had RMB denominated cash and cash equivalents, term deposits and short term investments totaling RMB1.1 billion, and U.S. dollar denominated cash and cash equivalents of US\$10.8 million. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Fluctuations in exchange rates of the Renminbi could materially affect our reported results of operations.”

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

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D. American Depositary Shares

Fees and Charges

As an ADS holder, you will be required to pay the following service fees to the depository bank:

Service:	Fee:
Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property	Up to \$0.05 per ADS issued
Cancellation of ADSs, including in the case of termination of the deposit agreement	Up to \$0.05 per ADS cancelled
Distribution of cash dividends or other cash distributions	Up to \$0.05 per ADS held
Distribution of ADSs pursuant to share dividends, free share distributions or exercise of rights	Up to \$0.05 per ADS held
Distribution of securities other than ADSs or rights to purchase ADSs or 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

As an ADS holder, you will also be responsible to pay certain fees and expenses incurred by the depository 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 depository fees payable upon the issuance and cancellation of ADSs are typically paid to the depository bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depository bank and by the brokers (on behalf of their clients) delivering the ADSs to the depository bank for cancellation. The brokers in turn charge these fees to their clients. Depository fees payable in connection with distributions of cash or securities to ADS holders and the depository services fee are charged by the depository bank to the holders of record of ADSs as of the applicable ADS record date.

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The depository 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 depository 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 depository bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depository 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 depository banks.

In the event of refusal to pay the depository fees, the depository 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 depository fees from any distribution to be made to the ADS holder.

The depository 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 depository will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depository collects from investors. Further, the depository has agreed to reimburse us certain fees payable to the depository by holders of ADSs. Neither the depository 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.

Payments by Depository

As of March 31, 2016, we had received total payments of US\$2.13 million from Deutsche Bank Trust Company Americas, the depository bank for our ADR program for reimbursement of investor relations expenses and other program related expenses.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None of these events occurred in any of the years ended December 31, 2013, 2014 and 2015.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. Modifications of Rights

See "Item 10. Additional Information—B. Memorandum and Articles of Association" for a description of the rights of securities holders, which remain unchanged.

B. Use of Proceeds

On May 17, 2011, we closed our initial public offering in which we offered and sold 11,500,000 ADSs, raising US\$117.6 million in proceeds to us before expenses but after underwriting discounts and commissions. On June 13, 2011, the underwriters exercised their option to purchase 1,915,125 additional ADSs from us, and we thereby raised an additional US\$19.6 million in proceeds to us before expenses but after underwriting discounts and commissions. Apart from underwriting discounts and commissions of US\$10.3 million, our other expenses incurred in connection with the issuance and distribution of our ADSs in our initial public offering totaled US\$5.0 million.

The effective date of our registration statement on Form F-1 (File number 333-173666) was May 11, 2011.

As of April 2015, we had used all of the net proceeds received from our initial public offering, which consisted of US\$33.6 million used for general corporate purposes, US\$59.1 million for share repurchases and related transaction costs, and US\$24.9 million for investment in Particle.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 31, 2015, an evaluation has been carried out under the supervision and with the participation of our senior management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Based upon the Company's evaluation, our senior management has concluded that, as of December 31, 2015, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP and that a company's receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our consolidated financial statements.

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Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statements preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, our management including our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of internal control over financial reporting as of December 31, 2015 using the criteria set forth in the report "Internal Control—Integrated Framework(2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2015.

Attestation Report of the Independent Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm, as stated in their attestation report which appears in this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

We maintain a system of internal control over financial reporting that is designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are followed. As required by Rule 13a-15(d), under the Exchange Act, our management, including our chief executive officer, president and our chief financial officer, has also conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the period covered by this report have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Jerry Juying Zhang, who is an independent director, qualifies as an audit committee financial expert as defined in Item 16A of the instruction to Form 20-F.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics which applies to our directors, employees, advisors and officers, including our Chief Executive Officer and Chief Financial Officer. No changes have been made to the code of ethics since its adoption and no waivers have been granted therefrom to our directors or employees. We have filed our code of business conduct and ethics as an exhibit to our F-1 registration statement (File No. 333-173666), as amended, initially filed with the Commission on April 21, 2011, and a copy is available to any shareholder upon request. This code of ethics is also available on our website at ir.ifeng.com.

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ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

PricewaterhouseCoopers Zhong Tian LLP has served as our independent public accountant for each of the fiscal years in the three-year period ended December 31, 2015, for which audited financial statements appear in this annual report.

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, for the years indicated.

	For the Years Ended December 31,	
	2014	2015
(In thousands of US dollars)		
Audit Fees (1)	860	1,125
Tax Fees (2)	—	17
All Other Fees (3)	48	46
Total	908	1,188

- (1) Audit fees consist of fees associated with the annual audit, reviews of our quarterly financial statements and related statutory and regulatory filings. For 2014 and 2015, the audit refers to financial audit and audit pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.
- (2) Tax fees include fees billed for tax compliance and tax advice services.
- (3) All other fees comprise fees for all other services provided by PricewaterhouseCoopers Zhong Tian LLP, other than those services covered in footnotes (1) to (2) above.

Pre-Approval Policies and Procedures

Our audit committee is responsible for the oversight of our independent accountants' work. The policy of our audit committee is to pre-approve all audit and non-audit services provided by PricewaterhouseCoopers Zhong Tian LLP, including audit services, audit-related services, tax services and other services, as described above.

All audit and non-audit services performed by PricewaterhouseCoopers Zhong Tian LLP must be pre-approved by the Audit Committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

We publicly announced a share repurchase program on May 14, 2014, pursuant to which we are authorized to repurchase up to US\$50.0 million worth of our ADSs for a period of twelve months starting from May 2014. We completed the share repurchase programme in February 2015.

The table below is a summary of the ADSs repurchased by us during 2015.

Period	Total Number of ADSs Purchased	Average Price Paid per ADS (1) US\$	Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plans or Programs US\$
January 1, 2015 — January 31, 2015	688,794	8.04	4,709,867	5,212,626
February 1, 2015 — February 28, 2015	658,277	7.92	5,368,144	—
2015 Total	1,347,071			

- (1) Each of our ADSs represents eight Class A ordinary shares.

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ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

We are a “foreign private issuer” (as such term is defined in Rule 3b-4 under the Exchange Act), and our ADSs, each representing eight ordinary shares, are listed on the New York Stock Exchange. Under Section 303A of the New York Stock Exchange Listed Company Manual, New York Stock Exchange listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the New York Stock Exchange with limited exceptions. The following summarizes some significant ways in which our corporate governance practices differ from those followed by domestic companies under the listing standards of the New York Stock Exchange.

- In respect of independent directors on our Board of Directors: Only two of our seven directors are independent directors: As our home country practice does not require a majority of our Board of Directors to be independent, two of our seven directors are independent.
- In respect of composition of our audit committee: As our home country practice does not require us to have a minimum of three members of our audit committee, our audit committee is comprised of two independent directors.
- In respect of the oversight of our executive officer compensation and director nominations matters: As our home country practice does not require independent director oversight of executive officer compensation and director nomination matters, our compensation and corporate governance and nominating committees are not comprised solely of independent directors.

ITEM 16H. MINE SAFETY

Not applicable.

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PART III

ITEM 17. FINANCIAL STATEMENTS

The Registrant has elected to provide the financial statements and related information specified in Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of Phoenix New Media Limited are included at the end of this annual report.

ITEM 19. EXHIBIT INDEX

Exhibit Number	Description of Exhibits
1.1	Second Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference Exhibit 3.2 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
2.1	Registrant’s Specimen American Depositary Receipt (included in Exhibit 4.3)
2.2	Registrant’s Specimen Certificate for Class A ordinary shares (incorporated by reference Exhibit 4.2 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
2.3	Form of Deposit Agreement, between the Registrant, the depository and holder of the American Depositary Receipts (incorporated by reference Exhibit 4 to our Registration Statement on Form F-6 (File No. 333-173736) with respect to American depositary shares representing our Class A ordinary shares, filed with the Securities and Exchange Commission on April 27, 2011).
4.1	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 (incorporated by reference Exhibit 4.4 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.2	Shareholders’ Agreement, dated as of November 24, 2009, by and among the Registrant and the other parties thereto (incorporated by reference Exhibit 4.5 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.3	Form of the Registrant’s Employment Agreements for its executive officers (incorporated by reference Exhibit 10.1 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.4	Registrant’s 2008 Share Option Plan (incorporated by reference Exhibit 10.2 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.5	Registrant’s 2011 Restricted Share Unit and Restricted Share Plan (incorporated by reference Exhibit 10.3 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.6	Form of Indemnification Agreement with the Registrant’s directors and officers (incorporated by reference Exhibit 10.4 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).

- 4.7 Translation of the Exclusive Equity Option Agreement, dated as of December 31, 2009, between Fenghuang On-line and Tianying Jiuzhou (incorporated by reference Exhibit 10.5 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).

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Exhibit Number	Description of Exhibits
4.8	Translation of the Exclusive Equity Option Agreement, dated as of December 31, 2009, between Fenghuang On-line and Yifeng Lianhe (incorporated by reference Exhibit 10.6 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.9	Translation of the Equity Pledge Agreement, dated as of December 31, 2009, between Fenghuang On-line and Tianying Jiuzhou (incorporated by reference Exhibit 10.7 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.10	Translation of the Equity Pledge Agreement, dated as of December 31, 2009, between Fenghuang On-line and Yifeng Lianhe (incorporated by reference Exhibit 10.8 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.11	Translation of the Exclusive Technical Consulting & Service Agreement, dated as of December 31, 2009, between Fenghuang On-line and Tianying Jiuzhou (incorporated by reference Exhibit 10.9 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.12	Translation of the Exclusive Technical Consulting & Service Agreement, dated as of December 31, 2009, between Fenghuang On-line and Yifeng Lianhe (incorporated by reference Exhibit 10.10 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.13	Translation of Loan Agreement, dated as of December 31, 2009, between Fenghuang On-line and the shareholders of Tianying Jiuzhou (incorporated by reference Exhibit 10.11 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.14	Translation of the Loan Agreement, dated as of December 31, 2009, between Fenghuang On-line and the shareholders of Yifeng Lianhe (incorporated by reference Exhibit 10.12 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.15	Translation of the Voting Right Entrustment Agreement, dated as of December 31, 2009, between Fenghuang On-line and shareholders of Tianying Jiuzhou (incorporated by reference Exhibit 10.13 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.16	Translation of the Voting Right Entrustment Agreement, dated as of December 31, 2009, between Fenghuang On-line and the shareholders of Yifeng Lianhe (incorporated by reference Exhibit 10.14 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.17	Translation of the Content, Branding, Promotion and Technology Cooperation Agreement, dated November 24, 2009, between Fenghuang On-line and Phoenix TV (incorporated by reference Exhibit 10.5 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.18	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 (incorporated by reference Exhibit 10.16 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
*4.19	Translation of the Second Supplemental Agreement to the Content, Branding, Promotion and Technology Cooperation Agreement, dated March 24, 2016, between Fenghuang On-line and Phoenix TV.
4.20	Translation of the Program Content License Agreement, dated November 24, 2009, between Phoenix TV and Tianying Jiuzhou (incorporated by reference Exhibit 10.17 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
4.21	Schedule of Material Differences between the Program Content Agreements entered into between Tianying Jiuzhou and Yifeng Lianhe, respectively, and Phoenix TV (incorporated by reference Exhibit 10.18 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).

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Exhibit Number	Description of Exhibits
4.22	Confirmation Letter, dated April 14, 2011, among Tianying Jiuzhou, Yifeng Lianhe and Phoenix Satellite Television Company Limited (incorporated by reference Exhibit 10.19 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).

- *4.23 Translation of the Second Supplemental Agreement to the Program Content License Agreement, dated March 24, 2016, between Phoenix TV, Tianying Jiuzhou and Yifeng Lianhe.
- 4.24 Translation of the Trademark License Agreement, dated as of November 24, 2009, between Phoenix Satellite Television Trademark Limited and Tianying Jiuzhou (incorporated by reference Exhibit 10.20 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
- 4.25 Schedule of material differences between the Trademark License Agreements entered into between Tianying Jiuzhou and Yifeng Lianhe, respectively, and Phoenix Satellite Television Trademark Limited (incorporated by reference Exhibit 10.21 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
- 4.26 Confirmation Letter, dated April 14, 2011, among Tianying Jiuzhou, Yifeng Lianhe and Phoenix Satellite Television Trademark Limited (incorporated by reference Exhibit 10.22 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
- *4.27 Translation of the Second Supplemental Agreement to the Trademark License Agreement, dated March 24, 2016, between Phoenix TV, Tianying Jiuzhou and Yifeng Lianhe.
- 4.28 Loan Agreement Memorandum, dated as of January 3, 2011, between Phoenix Satellite Television Co., Ltd and Phoenix Satellite Television Information Limited (incorporated by reference Exhibit 10.23 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
- 4.29 Translation of the Cooperation Agreement, dated as of December 29, 2009, between China Mobile Communications Corporation and Tianying Jiuzhou (incorporated by reference Exhibit 10.24 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
- 4.30 Translation of the Cooperation Agreement, dated as of February 14, 2011, between China Mobile Communications Corporation and Tianying Jiuzhou (incorporated by reference Exhibit 10.25 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
- *4.31 Schedule of Material Differences between the Cooperation Agreement, dated as of February 14, 2011, between China Mobile Communications Corporation and Beijing Tianying Jiuzhou Network Technology Co., Ltd. entered into in 2011, filed as Exhibit 10.25 to the Registration Statement on Form F-1 (File No. 333-173666) (“Cooperation Agreement 2011”), the Cooperation Agreement, dated as of April 24, 2013, between China Mobile Communications Corporation and Beijing Tianying Jiuzhou Network Technology Co., Ltd. entered into in 2013 (“Cooperation Agreement 2013”), the Cooperation Agreement, dated as of June 20, 2014, between China Mobile Communications Corporation and Beijing Tianying Jiuzhou Network Technology Co., Ltd. entered into in 2014 (“Cooperation Agreement 2014”), and the Cooperation Agreement, dated as of September 16, 2015, between China Mobile Communications Corporation and Beijing Tianying Jiuzhou Network Technology Co., Ltd. entered into in 2015 (“Cooperation Agreement 2015”).
- 4.32 Share Purchase Agreement, dated as of September 10, 2014, among Particle Inc., Particle (HK) Limited, Beijing Particle Information Technology Co., Ltd., Beijing Yidianwangju Technology Co., Ltd., Zhaohui Zheng, Xuyang Ren, Xin Li, Rongqing Lu, Shunwei TMT II Limited, Red Better Limited and our company (incorporated by reference Exhibit 4.29 to our Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2015 (File No. 001-35158), initially filed with the Securities and Exchange Commission on April 30, 2015).
- 4.33 Share Purchase Agreement, dated as of November 7, 2014, among Zhaohui Zheng, Xin Li, Rongqing Lu, Tengteng Kong, Weijian Lin, Kaifeng Xu, Miao Liu, Yuanyuan Wang, Xiaoxi Wu, Fubo Wang, Shi’an Peng, Sha Zhou, Qiyu Tan and our company (incorporated by reference Exhibit 4.30 to our Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2015 (File No. 001-35158), initially filed with the Securities and Exchange Commission on April 30, 2015).
- 4.34 Share Purchase Agreement, dated as of February 10, 2015, among Particle Inc., Particle (HK) Limited, Beijing Particle Information Technology Co., Ltd., Beijing Yidianwangju Technology Co., Ltd., Zhaohui Zheng, Xuyang Ren, Xin Li, Rongqing Lu, Shunwei TMT II Limited, Red Better Limited and our company (incorporated by reference Exhibit 4.31 to our Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2015 (File No. 001-35158), initially filed with the Securities and Exchange Commission on April 30, 2015).

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- 4.35 Share Purchase Agreement, dated as of February 10, 2015, among IDG Technology Venture Investment V, L.P., Yifang Technology Group, Ltd. and our company (incorporated by reference Exhibit 4.32 to our Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2015 (File No. 001-35158), initially filed with the Securities and Exchange Commission on April 30, 2015).
- *4.36 Loan Agreement, dated as of January 28, 2016, among Particle Inc., Particle (HK) Limited, Beijing Particle Information Technology Co., Ltd., Beijing Yidianwangju Technology Co., Ltd., and our company.
- *4.37 Loan Agreement, dated as of April 5, 2016, among Particle Inc., Particle (HK) Limited, Beijing Particle Information Technology Co., Ltd., Beijing Yidianwangju Technology Co., Ltd., and our company.
- *8.1 List of Subsidiaries
- 11.1 Code of Business conduct and Ethics of the Registrant (incorporated by reference Exhibit 99.1 to our Registration Statement on Form F-1 (File No. 333-173666), initially filed with the Securities and Exchange Commission on April 21, 2011).
- *12.1 Certification of our Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15 of the accompanying Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People's Republic of China
April 28, 2016

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Phoenix New Media Limited
Consolidated Balance Sheets
(Amounts in thousands, except for number of shares and per share data)

	As of December 31,		
	2014 RMB	2015 RMB	2015 US\$ (Note 2d)
ASSETS			
Current assets:			
Cash and cash equivalents	1,285,847	310,669	47,959
Term deposits and short term investments	40,000	769,681	118,818
Restricted cash	—	125,000	19,297
Accounts receivable, net	493,569	506,351	78,167
Amounts due from related parties	176,224	124,677	19,247
Prepayments and other current assets	42,703	58,574	9,042
Deferred tax assets	24,565	35,963	5,552
Total current assets	2,062,908	1,930,915	298,082
Non-current assets:			
Property and equipment, net	89,694	80,537	12,433
Intangible assets, net	14,913	12,404	1,915
Available-for-sale investments	77,093	513,994	79,347
Equity investments, net	68,880	11,610	1,792
Other non-current assets	13,342	17,746	2,739
Total non-current assets	263,922	636,291	98,226
Total assets	2,326,830	2,567,206	396,308
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities (including amounts of the consolidated VIEs, excluding intercompany amounts, without recourse to the Company of RMB581,781 and RMB502,696 (US\$77,603) as of December 31, 2014 and 2015, respectively. Note 1):			
Short-term loans	—	131,046	20,230
Accounts payable	271,599	289,148	44,637
Amounts due to related parties	22,489	19,368	2,990
Advances from customers	17,587	15,239	2,352
Taxes payable	88,938	93,120	14,375
Salary and welfare payable	105,073	114,028	17,603
Accrued expenses and other current liabilities	86,307	80,891	12,487
Total current liabilities	591,993	742,840	114,674
Non-current liabilities (including amounts of the consolidated VIEs, excluding intercompany amounts, without recourse to the Company of RMB18,179 and RMB19,680 (US\$3,039) as of			

December 31, 2014 and 2015, respectively. Note 1):			
Deferred tax liabilities	1,312	1,312	203
Long-term liabilities	16,867	18,368	2,836
Total non-current liabilities	18,179	19,680	3,039
Total liabilities	610,172	762,520	117,713
Commitments and contingencies (Note 22)			
Shareholders' equity:			
Phoenix New Media Limited shareholders' equity:			
Class A ordinary shares (US\$0.01 par value, 680,000,000 shares authorized; 260,204,642 and 253,250,854 shares issued and outstanding as of December 31, 2014 and 2015, respectively)	17,278	16,733	2,583
Class B ordinary shares (US\$0.01 par value, 320,000,000 shares authorized ; 317,325,360 and 317,325,360 shares issued and outstanding as of December 31, 2014 and 2015, respectively)	22,053	22,053	3,404
Additional paid-in capital	1,587,227	1,551,104	239,449
Treasury stock (2,039,656 shares and nil as of December 31, 2014 and 2015, respectively)	(13,379)	—	—
Statutory reserves	65,968	70,311	10,854
Retained earnings	52,852	122,093	18,848
Accumulated other comprehensive (loss)/income	(15,341)	23,341	3,604
Total Phoenix New Media Limited shareholders' equity	1,716,658	1,805,635	278,742
Noncontrolling interests	—	(949)	(147)
Total shareholders' equity	1,716,658	1,804,686	278,595
Total liabilities and shareholders' equity	2,326,830	2,567,206	396,308

The accompanying notes are an integral part of these consolidated financial statements.

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Phoenix New Media Limited
Consolidated Statements of Comprehensive Income
(Amounts in thousands, except for number of shares and per share (or ADS) data)

	For the Years Ended December 31,			
	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Revenues⁽¹⁾:				
Net advertising revenues	863,737	1,190,158	1,226,516	189,342
Paid service revenues	560,738	447,702	382,680	59,076
Total revenues	1,424,475	1,637,860	1,609,196	248,418
Cost of revenues⁽¹⁾	(696,355)	(781,632)	(829,386)	(128,035)
Gross profit	728,120	856,228	779,810	120,383
Operating expenses⁽¹⁾:				
Sales and marketing expenses	(273,399)	(330,777)	(346,133)	(53,434)
General and administrative expenses	(97,849)	(137,818)	(183,989)	(28,403)
Technology and product development expenses	(108,683)	(149,996)	(170,714)	(26,354)
Total operating expenses	(479,931)	(618,591)	(700,836)	(108,191)
Income from operations	248,189	237,637	78,974	12,192
Other income:				
Interest income, net	32,775	46,535	27,906	4,308
Foreign currency exchange gain/(loss)	19,687	(6,059)	(1,054)	(163)
Gain on disposition of subsidiaries and acquisition of equity investments	—	29,660	—	—
Loss from equity investments, including impairments	—	(18,538)	(41,861)	(6,462)
Gain on disposal of an equity investment and acquisition of available-for-sale investments	—	—	4,643	717
Others, net	14,960	21,261	29,294	4,522
Income before tax	315,611	310,496	97,902	15,114
Income tax expense	(37,588)	(48,377)	(25,517)	(3,939)
Net income	278,023	262,119	72,385	11,175
Net loss attributable to noncontrolling interests	1,531	972	1,199	185
Net income attributable to Phoenix New Media Limited	279,554	263,091	73,584	11,360
Net income	278,023	262,119	72,385	11,175
Other comprehensive income (net of tax of nil, nil and nil for 2013, 2014 and 2015 respectively): fair value remeasurement for available-for-sale investments	—	40,283	15,869	2,450
Other comprehensive (loss)/income (net of tax of nil, nil and nil for 2013, 2014 and 2015 respectively): foreign currency translation adjustment	(23,179)	4,503	22,813	3,522
Comprehensive income	254,844	306,905	111,067	17,147
Comprehensive loss attributable to noncontrolling interests	1,531	972	1,199	185
Comprehensive income attributable to Phoenix New Media Limited	256,375	307,877	112,266	17,332
Net income attributable to Phoenix New Media Limited	279,554	263,091	73,584	11,360
Net income per Class A and Class B ordinary share:				
Basic	0.46	0.44	0.13	0.02
Diluted	0.45	0.43	0.13	0.02
Net income per ADS (1 ADS represents 8 Class A ordinary shares):				

Basic	3.69	3.52	1.03	0.16
Diluted	3.59	3.42	1.01	0.16

Weighted average number of Class A and Class B ordinary shares used in computing net income per share:

Basic	605,988,397	597,616,623	571,247,723	571,247,723
Diluted	622,420,459	614,620,110	580,785,256	580,785,256

(1) Revenues, cost of revenues and operating expenses include transactions with related parties as follows (Note 23):

Net advertising revenues	45,127	55,565	71,048	10,969
Paid service revenues	413,407	291,610	276,712	42,717
Cost of revenues	(76,491)	(45,917)	(49,363)	(7,620)
Sales and marketing expenses	(1,040)	(1,246)	(1,788)	(276)
General and administrative expenses	(404)	(354)	(1,812)	(280)

The accompanying notes are an integral part of these consolidated financial statements.

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Phoenix New Media Limited
Consolidated Statements of Shareholders' Equity
(Amount in thousands, except for number of shares)

	Phoenix New Media Limited Shareholders' Equity											
	Class A ordinary shares		Class B ordinary shares		Treasury stock		Additional paid-in capital	Statutory reserves	(Accumulated deficit)/ Retained earnings	Accumulated other comprehensive (loss)/income	Noncontrolling interests	Total shareholders' equity
	Shares	Amount RMB	Shares	Amount RMB	Shares	Amount RMB						
Balance as of December 31, 2012	299,408,949	19,575	317,325,360	22,053	(40,800)	(112)	1,785,597	31,985	(455,810)	(36,948)		1,366,340
Share-based compensation							16,723					16,723
Issuance of ordinary shares upon settlement of share-based awards	4,707,400	291					228					519
Repurchase of ordinary shares					(20,196,592)	(72,611)						(72,611)
Cancellation of repurchased ordinary shares	(20,237,392)	(1,256)			20,237,392	72,723	(72,247)					(780)
Cancellation of restricted shares	(1,300,000)	(80)					80					
Appropriation to statutory reserves								18,345	(18,345)			
Foreign currency translation adjustment										(23,179)		(23,179)
Capital contribution received from noncontrolling shareholders							4,612				5,388	10,000
Net income									279,554		(1,531)	278,023
Balance as of December 31, 2013	282,578,957	18,530	317,325,360	22,053			1,734,993	50,330	(194,601)	(60,127)	3,857	1,575,035
Share-based compensation							53,181					53,181
Issuance of ordinary shares upon settlement of share-based awards	6,928,776	426					9,217					9,643
Repurchase of ordinary shares					(32,168,584)	(241,344)						(241,344)
Cancellation of repurchased ordinary shares	(30,128,928)	(1,854)			30,128,928	227,965	(227,267)					(1,156)
Cancellation of restricted shares	(168,752)	(10)					10					
Appropriation to statutory reserves								15,638	(15,638)			
Fair value changes of available-for-sale investments										40,283		40,283
Foreign currency translation adjustment										4,503		4,503
Issuance of ordinary shares for investment	3,034,245	186					17,093					17,279
Disposition of certain investment in a subsidiary											(2,885)	(2,885)
Net income									263,091		(972)	262,119
Balance as of December 31, 2014	262,244,298	17,278	317,325,360	22,053	(2,039,656)	(13,379)	1,587,227	65,968	52,852	(15,341)		1,716,658
Share-based compensation							34,354					34,354
Issuance of ordinary shares upon settlement of share-based awards	3,822,780	240					8,534					8,774
Repurchase of ordinary shares					(10,776,568)	(65,910)						(65,910)
Cancellation of repurchased ordinary shares	(12,816,224)	(785)			12,816,224	79,289	(79,011)					(507)
Appropriation to statutory reserves								4,343	(4,343)			
Fair value changes of available-for-sale investments										15,869		15,869
Foreign currency translation adjustment										22,813		22,813
Capital contribution received from noncontrolling shareholders											250	250
Net income									73,584		(1,199)	72,385
Balance as of December 31, 2015	253,250,854	16,733	317,325,360	22,053			1,551,104	70,311	122,093	23,341	(949)	1,804,686
Balance as of December 31, 2015 (in US\$)		2,583		3,404			239,449	10,854	18,848	3,604	(147)	278,595

The accompanying notes are an integral part of these consolidated financial statements.

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Phoenix New Media Limited
Consolidated Statements of Cash Flows
(Amounts in thousands)

For the Years Ended December 31,			
2013	2014	2015	2015
RMB	RMB	RMB	US\$

Cash flows from operating activities:				
Net income	278,023	262,119	72,385	11,175
Adjustments to reconcile net income to net cash provided by operating activities:				
Share-based compensation	16,723	53,181	34,354	5,304
Provision for allowance for doubtful accounts, including related party amounts	2,590	9,229	49,320	7,614
Depreciation and amortization expense	31,465	36,323	45,473	7,020
Impairment of intangible assets	—	—	3,822	590
Loss from equity investments, including impairments	—	18,538	41,861	6,462
Deferred income tax	(5,275)	(3,226)	(11,398)	(1,760)
Loss on disposal of property and equipment	1,003	589	749	116
Gain on disposition of subsidiaries and acquisition of equity investments	—	(29,660)	—	—
Gain on disposal of an equity investment and acquisition of available-for-sale investments	—	—	(4,643)	(717)
Foreign currency exchange (gain)/loss	(19,687)	6,059	1,054	163
Changes in operating assets and liabilities:				
Accounts receivable	(74,982)	(180,904)	(59,772)	(9,227)
Prepayments and other current assets	6,439	(14,320)	(18,254)	(2,818)
Amounts due from related parties	(61,347)	(50,684)	41,368	6,386
Other non-current assets	426	(1,076)	(4,404)	(680)
Accounts payable	69,493	63,419	24,415	3,769
Advances from customers	4,848	7,202	(2,348)	(362)
Salary and welfare payable	35,200	13,023	8,955	1,382
Taxes payable	17,984	36,432	4,182	646
Amounts due to related parties	19,228	1,455	(3,980)	(614)
Accrued expenses and other current liabilities	21,436	41,139	(3,828)	(591)
Long-term liabilities	4,235	4,636	1,501	232
Net cash provided by operating activities	347,802	273,474	220,812	34,090
Cash flows from investing activities:				
Purchase of property and equipment and intangible assets	(29,238)	(35,387)	(43,457)	(6,709)
Placement of term deposits and short term investments	(2,696,407)	(3,565,274)	(3,288,344)	(507,633)
Maturity of term deposits and short term investments	2,374,309	4,082,583	2,562,584	395,595
Payment for available-for-sale investments	—	(36,810)	(352,008)	(54,341)
Payment for equity investments	—	(37,681)	(10,643)	(1,643)
Disposal of subsidiaries, net of cash received	—	(14,259)	—	—
Change in restricted cash	—	—	(125,000)	(19,297)
Net cash (used in)/provided by investing activities	(351,336)	393,172	(1,256,868)	(194,028)
Cash flows from financing activities:				
Proceeds from exercise of stock options	519	8,756	6,944	1,072
Proceeds from short-term loans	—	—	123,589	19,079
Repurchase of ordinary shares	(65,198)	(242,500)	(66,417)	(10,253)
Capital contribution received from noncontrolling shareholders	—	10,000	250	39
Net cash (used in)/provided by financing activities	(64,679)	(223,744)	64,366	9,937
Effect of exchange rate changes on cash and cash equivalents	(2,818)	(2,193)	(3,488)	(541)
Net (decrease)/increase in cash and cash equivalents	(71,031)	440,709	(975,178)	(150,542)
Cash and cash equivalents at the beginning of the year	916,169	845,138	1,285,847	198,501
Cash and cash equivalents at the end of the year	845,138	1,285,847	310,669	47,959
Supplemental disclosure of cash flow information:				
Cash paid during the period for income taxes	19,598	32,786	36,044	5,564
Supplemental disclosure of non-cash investing and financing activities:				
Restricted cash related to capital contribution financed by noncontrolling shareholders	10,000	—	—	—

The accompanying notes are an integral part of these consolidated financial statements.

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Phoenix New Media Limited
Notes to Consolidated Financial Statements
(Amounts in thousands, except for number of shares (or ADSs) and per share (or ADS) data)

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, 2015, the Company had eleven subsidiaries, six VIEs and seven subsidiaries of VIEs. The Company, its subsidiaries, VIEs and subsidiaries of the VIEs are hereinafter collectively referred to as the “Group”. The Group generates revenues from providing advertising services and paid services, which include mobile value-add services (“MVAS”) and games and others. Two of the VIEs 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 an Internet audio-visual program transmission license and an Internet news license.

The details of the subsidiaries, VIEs and the subsidiaries of the VIEs as of December 31, 2015 are set out below:

Name	Place of Incorporation	Date of Incorporation	Percentage of Direct or Indirect Economic Ownership	Principal Activity
Direct subsidiaries:				
Phoenix Satellite Television Information Limited	British Virgin Islands (“BVI”)	September 1, 1999	100%	Investment holding
Phoenix New Media (Hong Kong) Company Limited	Hong Kong	February 24, 2011	100%	Advertising
Phoenix New Media (Hong Kong) Information Technology Company Limited	Hong Kong	April 22, 2014	100%	Investment holding
I Game Limited	Cayman Island	May 20, 2014	100%	Investment holding
Convergence Investment Co. Ltd.	Cayman Island	July 17, 2015	100%	Investment holding
Indirect subsidiaries:				
Fenghuang On-line (Beijing) Information Technology Co., Ltd. (“Fenghuang On-line”)	PRC	December 20, 2005	100%	Technical consulting
Beijing Fenghuang Yutian Software Technology Co., Ltd. (“Fenghuang Yutian”)	PRC	June 15, 2012	100%	Software development
Fenghuang Feiyang (Beijing) New Media Information Technology Co., Ltd. (“Fenghuang Feiyang”)	PRC	October 25, 2013	100%	Advertising
I Game (Hong Kong) Company Limited	Hong Kong	June 10, 2014	100%	Game
Beijing Fenghuang Borui Software Technology Co., Ltd. (“Fenghuang Borui”)	PRC	October 13, 2014	100%	Software development
Qieyiyou (Beijing) Information Technology Co., Ltd. (“Qieyiyou”)	PRC	November 28, 2014	100%	Game
VIEs:				
Beijing Tianying Jiuzhou Network Technology Co., Ltd. (“Tianying Jiuzhou”)	PRC	April 18, 2000	100%	Advertising, MVAS, and games and others
Yifeng Lianhe (Beijing) Technology Co., Ltd. (“Yifeng Lianhe”)	PRC	June 16, 2006	100%	MVAS
Beijing Chenhuan Technology Co., Ltd. (“Chenhuan”)	PRC	June 10, 2014	100%	Game
Beijing Youjiuzhou Technology Co., Ltd. (“Youjiuzhou”)	PRC	June 10, 2014	100%	Game
Beijing Huanyou Tianxia Technology Co., Ltd. (“Huanyou Tianxia”)	PRC	June 16, 2014	100%	Game
Shanghai Meowpaw Information Technology Co., Ltd. (“Meowpaw”)	PRC	January 14, 2015	75%	Game
Subsidiaries of VIEs:				
Beijing Tianying Chuangzhi Advertising Co., Ltd. (“Tianying Chuangzhi”)	PRC	February 8, 2010	100%	Advertising
Beijing Fenghuang Interactive Entertainment Network Technology Co., Ltd. (“Fenghuang Interactive Entertainment”)*	PRC	June 1, 2012	100%	MVAS, and games and others
Tianjin Fenghuang Mingdao Culture Communication Co., Ltd. (“Fenghuang Mingdao”)	PRC	May 24, 2013	100%	Advertising
Chengdu Huanyou Tianxia Network Technology Co., Ltd. (“Chengdu Huanyou”)	PRC	January 20, 2015	100%	Game
Shanghai Yixi Network Technology Co., Ltd. (“Yixi”)	PRC	March 26, 2015	100%	Software development
Beijing Fenghuang Convergence Investment Co., Ltd. (“Fenghuang Convergence”)	PRC	September 18, 2015	100%	Investment holding
Jinhua Fenghuang Huyu Network Technology Co., Ltd. (“Jinhua Huyu”)	PRC	November 12, 2015	100%	MVAS, and games and others

*In August, 2015, the name of “Beijing Jirong Wenhua Culture Communication Co., Ltd.” was changed to “Beijing Fenghuang Interactive Entertainment Network Technology Co., Ltd.”.

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Phoenix New Media Limited
Notes to Consolidated Financial Statements
(Amounts in thousands, except for number of shares (or ADSs) and per share (or ADS) data)

1. Organization and Principal Activities (Continued)

In order to comply with Chinese laws and regulations that prohibit or restrict foreign ownership of companies that operate Internet content, advertising and game businesses, a series of agreements (the “Contractual Agreements”) were entered into among Fenghuang On-line, Tianying Jiuzhou, Yifeng Lianhe and their legal shareholders in 2009, and among Qieyiyou, Chenhuan, Youjiuzhou, Huanyou Tianxia and their legal shareholders in 2015. Through the aforementioned activities, Tianying Jiuzhou, Yifeng Lianhe, Chenhuan, Youjiuzhou and Huanyou Tianxia are considered as VIEs in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). Fenghuang On-line and Qieyiyou are entitled to substantially all the economic risks and rewards associated with the VIEs, and are the primary beneficiaries of the VIEs, respectively.

Voting Right Entrustment Agreements

Pursuant to the voting right entrustment agreements among the VIEs, their legal shareholders and Fenghuang On-line or Qieyiyou, each legal shareholder of the VIEs agreed to grant a person designated by Fenghuang On-line or Qieyiyou 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 the Fenghuang On-line or Qieiyiou decide in their discretion to terminate the relevant agreements.

Exclusive Equity Option Agreements

Under the exclusive equity option agreements among the VIEs, their legal shareholders and Fenghuang On-line and Qieiyiou, legal shareholders of the VIEs irrevocably granted Fenghuang On-line or Qieiyiou or their 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 interest in the VIEs has been duly transferred to Fenghuang On-line or Qieiyiou or their designated representatives.

Loan Agreements

Pursuant to the loan agreements among Fenghuang On-line or Qieiyiou, and legal shareholders of their VIEs, Fenghuang On-line or Qieiyiou granted interest-free loans to the legal shareholders of the VIEs for an 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 interest in the applicable VIE to Fenghuang On-line or Qieiyiou, or their 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 or Qieiyiou, the legal shareholders of the VIEs have pledged their equity interests in the VIEs to Fenghuang On-line or Qieiyiou 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 or Qieiyiou.

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Phoenix New Media Limited **Notes to Consolidated Financial Statements** **(Amounts in thousands, except for number of shares (or ADSs) and per share (or ADS) data)**

1. Organization and Principal Activities (Continued)

Exclusive Technical Licensing and Service Agreements

Under the exclusive technical licensing and service agreements between Fenghuang On-line or Qieiyiou and each of the VIEs, Fenghuang On-line or Qieiyiou has the exclusive right to provide technical and consulting services to their respective VIEs. The VIEs have agreed to pay a service fee to Fenghuang On-line or Qieiyiou equal to a certain percentage of their respective annual revenues plus a special service fee for certain services rendered by Fenghuang On-line or Qieiyiou at the request of the VIEs. The technical service agreements also transfer all of the economic benefit of intellectual property created by the VIEs to Fenghuang On-line or Qieiyiou. Each exclusive technical services agreement will remain in effect indefinitely and can be terminated only by Fenghuang On-line or Qieiyiou unless otherwise required by law.

The Group has evaluated the relationship among the Company, Fenghuang On-line or Qieiyiou and the VIEs in accordance with U.S. 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 the 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 and Qieiyiou, is considered the primary beneficiary of the VIEs and therefore includes the VIEs' assets, liabilities and operating results in its consolidated financial statements.

In January 2015, in order to leverage the Group's brand, content platform and large user base to expand into more entertainment related businesses, the Group established a new subsidiary Meowpaw with share capital of RMB1.0 million (US\$0.2 million). Meowpaw plans to engage in creating intellectual properties, related games, books, movies and animations, etc. The Group held 75% of the shares, and the noncontrolling shareholder, who was an individual, held the rest of 25%. Meowpaw's share capital was not sufficient to support its operations. In addition to the capital injection, the Group provided a long-term financing of RMB34.0 million (US\$5.2 million) to support its operations. In accordance with ASC810-10, *Variable Interest Entities*, Meowpaw is thinly capitalized and consolidated as a variable interest entity. Meowpaw may not pay any dividend to shareholders until the accumulated retained earnings is over RMB35.0 million (US\$5.4 million). The Group owns 75% equity interest of Meowpaw, it can absorb a majority of Meowpaw's expected loss, own the power to direct Meowpaw's activities and most significantly impact Meowpaw's economic performance, therefore, the Group is the primary beneficiary of Meowpaw and consolidate Meowpaw under VIE model.

The Company has the power to direct the activities of all the VIEs, including the VIEs aforementioned in the Contractual Agreements and Meowpaw, and can freely have assets transferred out of all the VIEs without any restrictions. Only the registered capital and PRC statutory reserves of the VIEs amounted to RMB32.1 million (US\$5.0 million) as of December 31, 2015 can be used to solely settle obligations of the VIEs. As all the consolidated VIEs are incorporated as limited liability companies under the PRC Company Law, the creditors of the VIEs' liabilities do not have recourse to the general credit of the Company. The amounts of the consolidated VIEs' current liabilities without recourse to the Company disclosed on the face of the consolidated balance sheets have excluded the amounts due to inter-company entities.

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Phoenix New Media Limited
Notes to Consolidated Financial Statements
(Amounts in thousands, except for number of shares (or ADSs) and per share (or ADS) data)

1. Organization and Principal Activities (Continued)

The following tables set forth the assets, liabilities, results of operations and cash flows of the consolidated VIEs:

	As of December 31,		
	2014 RMB	2015 RMB	2015 US\$
Current assets	1,341,023	1,075,360	166,007
Non-current assets	70,197	79,211	12,228
Total assets	1,411,220	1,154,571	178,235
Accounts payable	352,008	282,509	43,612
Amounts due to related parties	886	2,694	416
Amounts due to inter-company entities	608,181	406,538	62,759
Advances from customers	17,380	13,745	2,122
Taxes payable	49,717	56,034	8,650
Salary and welfare payable	84,874	85,019	13,125
Accrued expenses and other current liabilities	76,916	62,695	9,678
Current liabilities	1,189,962	909,234	140,362
Non-current liabilities	18,179	19,680	3,039
Total liabilities	1,208,141	928,914	143,401

	For the Years Ended December 31,			
	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Revenues	1,418,693	1,632,827	1,504,370	232,235
Net income	14,851	53,141	22,329	3,447

	For the Years Ended December 31,			
	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Net cash used in operating activities	(311,286)	(110,741)	(91,907)	(14,188)
Net cash (used in)/provided by investing activities	(457,202)	403,635	(197,307)	(30,459)
Net cash provided by financing activities	—	10,000	250	39

As of December 31, 2015, the total assets for the consolidated VIEs mainly comprised of cash and cash equivalents, term deposits and short term investments, accounts receivable, prepayments and other current assets, amounts due from related parties and property and equipment. There was no pledge or collateralization of these assets. Unrecognized revenue-producing assets that are held by the VIEs comprise the Internet Content Provision License, the Online Culture Operating Permit, the Internet Publication License, the Permit for Production and Operation of Radio and TV Programs, the Value-added Telecommunications Business Operating License, trademark, and domain name. Recognized revenue-producing assets that are held by the VIEs comprise property and equipment and operating rights for licensed games. As of December 31, 2015, the total liabilities for the consolidated VIEs mainly comprised accounts payable, amounts due to related parties, amounts due to inter-company entities, advances from customers, salary and welfare payable, taxes payable and accrued expenses and other current liabilities. The consolidated VIEs have a series of inter-company transactions, the net impacts were net loss RMB380.9 million, RMB414.4 million and RMB242.4 million (US\$37.4 million) for the years ended December 31, 2013, 2014 and 2015, respectively. The balances and transactions of the consolidated VIEs were reflected in the Company's consolidated financial statements with inter-company transactions eliminated.

Phoenix New Media Limited
Notes to Consolidated Financial Statements
(Amounts in thousands, except for number of shares (or ADSs) and per share (or ADS) data)

1. Organization and Principal Activities (Continued)

It is possible that the Group's operation of certain of its operations and businesses through VIEs could be found by PRC authorities to be in violation of PRC law and regulations prohibiting or restricting foreign ownership of companies that engage in such operations and businesses. While the Group's management considers the possibility of such a finding by PRC regulatory authorities under current law and regulations to be remote, on January 19, 2015, the Ministry of Commerce of the PRC, or (the "MOFCOM") released on its Website for public comment a proposed PRC law (the "Draft FIE Law") that appears to include VIEs within the scope of entities that could be considered to be foreign invested enterprises (or "FIEs") that would be subject to restrictions under existing PRC law on foreign investment in certain categories of industry. Specifically, the Draft FIE Law introduces the concept of "actual control" for determining whether an entity is considered to be an FIE. In addition to control through direct or indirect ownership or equity, the Draft FIE Law includes control through Contractual Arrangements within the definition of "actual control." If the Draft FIE Law is passed by the People's Congress of the PRC and goes into effect in its current form, these provisions regarding control through Contractual Arrangements could be construed to reach the Group's VIE arrangements, and as a result the Group's VIEs could become explicitly subject to the current restrictions on foreign investment in certain categories of industry. The Draft FIE Law includes provisions that would exempt from the definition of foreign invested enterprises entities where the ultimate controlling shareholders are either entities organized under PRC law or individuals who are PRC citizens. The Draft FIE Law does not make clear how "control" would be determined for such purpose, and is silent as to what type of enforcement action might be taken against existing VIEs that operate in restricted industries

and are not controlled by entities organized under PRC law or individuals who are PRC citizens. If a finding were made by PRC authorities, under existing law and regulations or under the Draft FIE Law if it becomes effective, that the Group's operation of certain of its operations and businesses through VIEs, regulatory authorities with jurisdiction over the licensing and operation of such operations and businesses would have broad discretion in dealing with such a violation, including levying fines, confiscating the Group's income, revoking the business or operating licenses of the affected businesses, requiring the Group to restructure its ownership structure or operations, or requiring the Group to discontinue all or any portion of its operations. Any of these actions could cause significant disruption to the Group's business operations, and have a severe adverse impact on the Group's cash flows, financial position and operating performance.

2. Principal Accounting Policies

(a) Basis of presentation, principles of consolidation, recognition of noncontrolling interests and cost allocations

The consolidated financial statements include the financial statements of the Company, its subsidiaries, its VIEs and the subsidiaries of the VIEs. The consolidated financial statements have been prepared in accordance with U.S. GAAP and on a going concern basis. All significant transactions and balances among the Company, its subsidiaries, its VIEs and the subsidiaries of the VIEs have been eliminated upon consolidation. The Company consolidates the VIEs as required by Accounting Standards Codification ("ASC") 810 *Consolidation*, because Fenghuang On-line and Qieyiyou hold all the variable interests of the VIEs and has been determined to be the primary beneficiary of the VIEs (see Note1).

The Group and Phoenix TV Group have engaged in various mutual cooperation activities in content, branding and promotions, technical support and corporate management. There was no payment for these arrangements until November 2009, when the Group entered into a cooperation agreement with Phoenix TV which stipulates the costs and expenses charged to the Group related to content and other services provided by Phoenix TV Group (see Note 22(a)). The agreement was effective as of January 1, 2010. Accordingly, the related costs and expenses were recorded by the Group based on the cooperation agreement for the years ended December 31, 2013, 2014 and 2015.

Apart from the above cooperation agreement, Phoenix TV Group also paid certain expenses on behalf of the Group, such as data line usage and other general and administrative expenses, which the Group needed to settle with Phoenix TV Group based on the actual amount, and were recorded in the consolidated statements of comprehensive income.

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Phoenix New Media Limited **Notes to Consolidated Financial Statements** **(Amounts in thousands, except for number of shares (or ADSs) and per share (or ADS) data)**

2. Principal Accounting Policies (Continued)

(b) Use of estimates

The preparation of the Group's consolidated financial statements in conformity with the U.S. 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. These estimates and assumptions include, but are not limited to, the accounting for advertising and paid service revenues, the determination of estimated selling prices of multiple elements revenues contract, accounting for income taxes and uncertain tax positions, allowance for doubtful accounts, share-based compensation, consolidation, foreign currency translation, determination of the estimated useful lives of property and equipment and intangible assets, assessment of impairment of long-lived assets and equity investment, determination of the fair value of financial instruments, and determination of the fair value of retained equity interest in deconsolidation.

(c) Foreign currency translation

The Group uses Renminbi ("RMB") as its reporting currency. The Company's operations in China and in international regions use their respective currencies as their functional currencies. In the consolidated financial statements, the financial information of the Company and its subsidiaries, which use US\$ or HK\$ as their functional currency, have been translated into RMB at the exchange rates quoted by the People's Bank of China (the "PBOC"). 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 period. Translation adjustments arising from these are reported as foreign currency translation adjustments and have been shown as a component of other comprehensive loss or income in the consolidated statements of shareholders' equity and the consolidated statements of 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 currency exchange gain or loss resulting from the settlement of such transactions and from remeasurement at period-end is recognized in foreign currency exchange gain or loss in the consolidated statements of comprehensive income.

(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 = RMB6.4778 on December 31, 2015 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

The Group's financial instruments include cash equivalents, term deposits, short term investments, restricted cash, accounts receivable, amounts due from related parties, prepayments and other current assets, available-for-sale investments, accounts payable, amounts due to related parties, advances from

customers, salary and welfare payable, accrued expense, short-term loans and other current liabilities and other non-current assets. Refer to Note 19 for details.

(f) Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits, time deposits and highly liquid investments placed with banks or other financial institutions, which are unrestricted to withdrawal or use, and which have original maturities of three months or less.

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Phoenix New Media Limited
Notes to Consolidated Financial Statements
(Amounts in thousands, except for number of shares (or ADSs) and per share (or ADS) data)

2. Principal Accounting Policies (Continued)

(g) Term deposits, short term investments

Term deposits represent term deposits placed with banks with original maturities of more than three months and up to one year.

Short term investments represent interest-bearing deposits placed with financial institutions which are restricted to withdrawal and use. The investments are issued by commercial bank in China with a variable interest rate indexed to performance of underlying assets. All investments are expected to be realized in cash during the next 12 months.

(h) Restricted cash

Restricted cash represents deposits placed as guarantee of banking facility which are restricted to withdrawal or usage.

(i) Accounts receivable, net

The carrying value of accounts receivable is reduced by an allowance that reflects the Group's best estimate of the amounts that will not be collected. Many factors are considered in estimating the general allowance, including but not limited to reviewing accounts receivable balances, historical bad debt rates, aging analysis, customer credit worthiness and industry trend analysis. The Group also makes the specific allowance if there is evidence showing that the receivable is unlikely to be collected. Accounts receivable balances are written off against the allowance when they are determined to be uncollectible. Refer to Note 4 for details.

(j) Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and impairment. Property and equipment are depreciated over the following estimated useful lives on a straight-line basis:

	Estimated Useful Lives
Computers	3 years
Equipment, furniture and motor vehicles	5 years
Leasehold improvements	Lesser of lease terms or the estimated useful lives of the assets

In accordance with the provision of ASC250, the Group reviews the estimated useful lives of its property and equipment on an ongoing basis. This review indicated that the actual lives of computers were lower than the estimated useful lives used for depreciation purpose. As a result, on June 1, 2015, the Group changed the estimated useful lives of its computers, from 5 years to 3 years, to better reflect the recent estimation. The additional depreciation expenses for the year ended December 31, 2015 was RMB2.4 million. Furthermore, it would cause a decrease in depreciation expenses in amount of RMB0.1 million, RMB0.6 million and RMB0.9 million for the years ended December 31, 2016, 2017 and 2018, respectively.

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 comprehensive income.

(k) Intangible assets, net

Intangible assets mainly consist of computer software purchased from unrelated third parties, operating rights for licensed games and an Internet domain name. Intangible assets are stated at cost less impairment and 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, 10 years for the Internet domain name, and the estimated life cycle for licensed games.

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2. Principal Accounting Policies (Continued)

(l) Available-for-sale investments

In accordance with ASC topic 320 *Investments-Debt and Equity Securities*, the Group classifies the investments in debt and equity securities as “held-to-maturity”, “trading” or “available-for-sale”. The securities that the Group has positive intent and ability to hold to maturity are classified as held-to-maturity securities. The securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Investments not classified as trading or as held-to-maturity are classified as available-for-sale investments. Available-for-sale investments are reported at fair value, which is estimated by management after considering an independent appraisal performed by a reputable appraisal firm, with unrealized gains and losses, if any, recorded in the accumulated other comprehensive loss or income in shareholder’s equity. Realized gains and losses are reflected in earnings during the year in which the gains and losses are realized. An impairment loss on the available-for-sale investments would be recognized in the consolidated statements of comprehensive income when the decline in value is determined to be other-than-temporary. Investments with maturities of greater than 12 months are recorded in non-current assets.

(m) Equity investments

Investments in entities in which the Group can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC topic 323 *Investments-Equity Method and Joint Ventures*. The Group adjusts the carrying amount of equity method investment for its share of the earnings or losses of the investee and reports the recognized earnings or losses in the consolidated statements of comprehensive income. The Group’s share of the earnings or losses of an investee are based on the shares of common stock and in-substance common stock held by the Group. Investments in entities in which the Group does not have significant influence and which does not have readily determinable fair value are accounted for using the cost method of accounting in accordance with ASC subtopic 325-20 *Investment-Other Cost Method Investment*. An impairment loss on the equity investments is recognized in the consolidated statements of comprehensive income when the decline in value is determined to be other-than-temporary.

(n) Impairment of long-lived assets

Long-lived assets such as property and equipment 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 by comparing the carrying amount to the estimated future undiscounted cash flows associated from the use of the asset and its eventual disposition, and recognize an impairment of long-lived assets when the carrying value of such assets exceeds the estimated future undiscounted cash flows such assets is expected to generate. If the Group identifies an impairment, the Group reduces the carrying amount of the assets group to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values.

(o) Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the price is fixed or determinable, service is performed and the 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. The Group has applied ASU 2009-13 to all revenue arrangements for all years presented of the financial statements.

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Phoenix New Media Limited Notes to Consolidated Financial Statements (Amounts in thousands, except for number of shares (or ADSs) and per share (or ADS) data)

2. Principal Accounting Policies (Continued)

(o) Revenue recognition (continued)

(i) Net 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 contractual arrangements are entered to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenues from advertising contractual arrangements 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. For most deliverables in its multiple element arrangements, the Group use management’s best estimate of the selling price in the allocation as the vendor-specific objective evidence or third-party evidence of selling price is not available for those deliverables. The best estimate of the selling price is determined based on the publicly published advertising rate card, times the relevant discount rates, which are taking into considerations of the historical trend, the pricing of advertising areas sold with similar popularities, advertisements with similar formats and quoted prices from competitors, and other relevant market conditions. The Group recognizes revenue on the elements delivered and defers the recognition of revenue for the estimated 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, *Customer Payments and Incentives: Recognition*. The Group has

estimated and recorded RMB135.9 million, RMB176.8 million and RMB161.6 million (US\$24.9 million) in agency service fees to third-party advertising agencies for the years ended December 31, 2013, 2014 and 2015, respectively.

Barter transactions

The Group enters into barter transactions involving advertising services 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 and expenses for advertising-for-advertising barter transactions since the fair value of the advertising services surrendered or received in the transaction is not determinable for the years ended December 31, 2013, 2014 and 2015. Except for advertising-for-advertising barter transactions, the Group recognized revenue from barter transactions involving exchanging advertising services for content, technical, marketing services and others amounted to nil, RMB1.0 million and RMB1.4 million (US\$0.2 million) for the years ended December 31, 2013, 2014 and 2015, respectively.

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2. Principal Accounting Policies (Continued)

(o) Revenue recognition (continued)

(ii) Paid service revenues

Paid service revenues comprise of MVAS and games and others.

MVAS

MVAS revenues are derived from providing mobile phone users with mobile digital reading services, mobile game services, mobile video services, wireless value-added services (“WVAS”). WVAS include short messaging services (“SMS”), multi-media messaging services (“MMS”), music services such as ring-back tone (“RBT”) and interactive voice response (“IVR”). Revenues from mobile digital reading services, mobile game services, mobile video services, and WVAS are charged on a monthly or per-usage basis. Revenues from MVAS 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 Group contracts with China Mobile Communication Corporation and its subsidiaries (“CMCC”), and to a lesser degree, with other mobile operators, for billing, collection and transmission services related to the MVAS 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 Group 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. CMCC is a related party of the Group (see Note 23).

For most mobile game services delivered through telecom operators and most WVAS, the Group is responsible for providing desired services to the customers and has primary responsibility and broad discretion to establish price, therefore the Group is considered the primary obligor in these transactions, and revenues from these services are recorded on a gross basis. Most revenues from mobile digital reading services, music services and mobile video services are recorded on a net basis as the Group is acting as an agent of operators in these transactions.

Due to the time lag between when the services are rendered and when the operators’ billing statements are received, most MVAS revenues are estimated based on the Group’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 Group’s estimates and the operators’ billing statements for all the years presented.

The Group 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 contracts, and the revenues attributable to the news contents are recognized on a straight-line basis over the periods in which the news contents are provided. Revenues attributable to other services are recognized when the other services are provided.

Games and others

Games and others include web-based games, mobile games, online digital reading, content sales, and other online and mobile paid services through the Group’s own platforms. Revenues from these services are recognized over the periods in which the services are performed, provided that no significant obligations remain, collection of the receivables is reasonably assured and the amounts can be accurately estimated.

For web-based game services, all of the web-based games provided on the Group’s platform are developed by third-party game developers and can be accessed and played by game players without downloading separate software. The Group primarily views the game developers to be its customers and considers its responsibility under its agreements with the game developers to be promotion of the game developers’ games. The Group collects payments from game players in connection with the sale of in-game virtual currencies and remits certain agreed-upon percentages of the proceeds to the game developers. Revenue from the sale of in-game virtual currency is recorded net of remittances to game developers and deferred until the estimated consumption date of the virtual items, which is within a short period of time, typically a few days, after purchase of the in-game virtual currency.

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2. Principal Accounting Policies (Continued)

(o) Revenue recognition (continued)

Mobile games are licensed from third-party developers. The game portfolio includes action, role-playing and casual games operated on smartphone mobile operation systems, such as iOS and Android. The basic game play functions are free of charge, and players are charged for purchases of in-game virtual items, including perpetual and consumable items. Revenues are recognized over the estimated lives of the perpetual items purchased by game players or as the consumable items are consumed. Most of mobile game revenues are recorded on a gross basis as the Group is acting as the principal in offering services to the customers in the transactions.

The Group also provides online literature and provides video programming through its online subscription and pay-per-view services to the customers. Revenues from these services, which are recorded on a gross basis, are recognized evenly over the subscription period, or in the period in which a pay-per-view service is provided.

The Group generates revenues from video content sales agreements for television programming produced by Phoenix TV Group and documentaries purchased from third parties. 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 cooperation agreement signed with Phoenix TV, the Group pays Phoenix TV 50% of the revenues generated from sales of Phoenix TV's video content, which is recorded in cost of revenues. Refer to Note 22(a) for details.

(p) Cost of revenues

The Group's cost of revenues consists primarily of (i) revenue sharing fees, including service fees retained by mobile telecommunications operators which are recognized as cost of revenues for revenues recorded on gross basis and revenue sharing fees paid to the Group's channel and content partners, (ii) content and operational costs, including personnel-related cost associated with content production and certain advertisement sales support personnel, content procurement costs to third-party professional media companies and to Phoenix TV, administrative costs related to in-house content production, channel testing costs, rental cost, depreciation and amortization and other miscellaneous costs, (iii) bandwidth costs, and (iv) sales taxes and surcharges, sales taxes include business tax and value added tax. The sales taxes and surcharges in cost of revenues for the years ended December 31, 2013, 2014 and 2015 were RMB92.9 million, RMB129.8 million and RMB122.5 million (US\$18.9 million), respectively.

In China, business tax is imposed by the government on the revenues reported by the selling entities for the provision of taxable services in China. The business tax rate varies depending on the nature of the revenues. The applicable business tax and surcharges rate for the group's revenues generally ranges from 3.4% to 5.6%.

On November 16, 2011, Ministry of Finance and the State Administration of Taxation announced the Business Tax to Value Added Tax Transformation Pilot Program, or the VAT Pilot Program. Productive service industries, such as the transportation industry and certain modern services industries, were the first in the pilot regions to implement the VAT Pilot Program. The implementation of the VAT Pilot Program began on January 1, 2012 in Shanghai and on September 1, 2012 in Beijing, and was then expanded to seven other provinces and municipalities by the end of 2012. Commencing on August 1, 2013, the implementation of VAT Pilot Program has expanded to all regions in the PRC. As a result of the VAT Pilot Program, the advertising revenues and other modern services revenues, such as games and others services revenues earned by the Group's entities and technical service fees paid by VIEs to the Group pursuant to the Contractual Agreement, are subject to value-added tax and surcharges at a rate of approximately 6.7%. On April 29, 2014, a notification (the "Cai Shui [2014] No. 43") was jointly issued by the Ministry of Finance and State Administration of Taxation of the People's Republic of China, and as approved by the State Council of the People's Republic of China, the telecommunications industry would be included in the scope of the VAT Pilot Program for the transformation from the business tax to value-added tax from June 1, 2014. As a result, the Group's MVAS revenues are subject to value-added tax and surcharges at a rate of approximately 6.7% from June 1, 2014.

The Group is also subject to a cultural development fee on the provision of advertising services in China. The applicable tax rate is 3% of the advertising services revenues.

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2. Principal Accounting Policies (Continued)

(q) Sales and marketing expenses

Sales and marketing expenses comprise primarily of: (i) personnel-related expenses including sales commissions related to the sales and marketing personnel; (ii) advertising and promotion expenses including traffic acquisition expenses; and (iii) rental expense, depreciation and amortization expenses. The Group expenses advertising costs as incurred. Total advertising expenses were RMB54.2 million, RMB64.4 million and RMB117.9 million (US\$18.2 million) for the years ended December 31, 2013, 2014 and 2015, respectively.

(r) 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; (ii) expenses associated with new technology and product development and enhancement; and (iii) rental expense

and depreciation of servers. The Group expenses technology and product development expenses as incurred for all the years presented.

(s) 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 comprehensive income on a straight-line basis over the lease term. The Group normalizes rental expense on operating leases that involve rent concessions.

(t) Share-based compensation

The Company has incentive plans for the granting of share-based awards, including share options, restricted shares and restricted share units. 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 as costs and or expenses in the consolidated statements of comprehensive income, net of estimated forfeitures, on a graded-vesting basis over the vesting term of the awards.

Cancellation of an award accompanied by the grant of a replacement award is accounted for as a modification of the terms of the cancelled award ("modification awards"). The compensation costs associated with the modification awards are recognized if either the original vesting condition or the new vesting condition has been achieved. Such compensation costs cannot be less than the grant-date fair value of the original award. The incremental compensation cost is measured as the excess of the fair value of the replacement award over the fair value of the cancelled award at the cancellation date. Therefore, in relation to the modification awards, the Company recognizes share-based compensation over the vesting periods of the new awards, which comprises (i) the amortization of the incremental portion of share-based compensation over the remaining vesting term and (ii) any unrecognized compensation cost of original award, using either the original term or the new term, whichever is higher for each reporting period.

The Company adopts the Black-Scholes option pricing model to determine the fair value of share options, and determines the fair value of restricted share and restricted share units based on the fair value of the underlying ordinary shares at the grant date considering the dilutive effect of restricted share and restricted share units.

Forfeiture rate are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. The Group uses historical data to estimate pre-vesting option and restricted share units forfeitures and record share-based compensation only for those awards that are expected to vest. Refer to Note 16 for further information regarding share-based compensation assumptions and expenses.

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2. Principal Accounting Policies (Continued)

(u) 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 an asset and 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 the consolidated statements of comprehensive income 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.

Uncertain tax positions

The Group adopted the provisions of ASC 740-10, *Income Taxes: Overall*, on January 1, 2007, which clarified the accounting for uncertainty in income taxes by prescribing the recognition and measurement thresholds a tax position is required to meet before being recognized in the financial statements. 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. Significant judgment is required in evaluating the Group's uncertain tax positions and determining its provision for income taxes. Refer to Note 14 for details of the Group's tax positions.

(v) Employee social security and welfare benefits

Full-time employees of the Group in the PRC 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 security and welfare benefits included as cost and expenses in the consolidated statements of comprehensive income were RMB57.4 million, RMB73.7 million and RMB75.6 million (US\$11.7 million) for the years ended December 31, 2013, 2014 and 2015, respectively.

(w) Others, net

Others, net mainly represent government subsidies which primarily consist of financial subsidies received from provincial and local governments for operating a business in their jurisdictions. Such income has been recognized when the grants are received and no further conditions need to be met.

(x) Statutory reserves

In accordance with the laws applicable to China's Foreign Investment Enterprises, those of the Company's China-based subsidiaries that are considered under PRC law to be a wholly foreign-owned enterprise are required to make appropriations from their 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 non-distributable 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 general 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 the China Company Laws, those of the Company's China-based subsidiaries that are considered under PRC law to be domestically funded enterprises, as well as the Company's VIEs are required to 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 statutory 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.

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2. Principal Accounting Policies (Continued)

(x) Statutory reserves

General reserve fund and statutory surplus fund are restricted for set off against losses, expansion of production and operation or increase in the registered capital of the respective company. The Group has made appropriations of RMB18.3 million, RMB15.6 million and RMB4.3 million (US\$0.7 million) to these funds for the years ended December 31, 2013, 2014 and 2015, respectively.

(y) 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.

(z) Dividends

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2013, 2014 and 2015, 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.

(aa) Net income per share

The Company computes net income per Class A and Class B ordinary share in accordance with ASC 260-10, *Earnings Per Share: Overall*, 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.

The liquidation and dividend rights of the holders of the Company's Class A and Class B ordinary shares are identical, except with respect to voting. As a result, and in accordance with ASC 260-10, the undistributed earnings for each year are allocated based on the contractual participation rights of the Class A and Class B ordinary shares. As the liquidation and dividend rights are identical, the net incomes are allocated on a proportionate basis.

Basic net income per share is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares and contingently issuable shares outstanding during the period except that it does not include unvested restricted shares and repurchased ordinary shares subject to cancellation.

Diluted net income per share is calculated by dividing net income attributable to ordinary shareholders, as adjusted for the effect of dilutive potential ordinary shares, if any, by the weighted average number of ordinary shares outstanding and dilutive potential ordinary shares during the period. Potential ordinary shares are excluded in the denominator of the diluted net income per share calculation if their effects would be anti-dilutive.

(ab) Treasury stock

The Company accounted for those shares repurchased as treasury stock at cost in accordance with ASC 505-30, *Treasury Stock*, and is shown separately in the shareholders' equity as the Company has not yet decided on the ultimate disposition of those shares acquired. When the Company decides to cancel the treasury stock, the difference between the original issuance price and the repurchase price is debited into additional paid-in capital. Refer to Note 21 for details.

(ac) Comprehensive income

Comprehensive income is defined as the change in equity of the Group during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Comprehensive income is reported in the consolidated statements of comprehensive income. Accumulated other comprehensive loss or income, as presented on the Group's consolidated balance sheets, includes the foreign currency translation adjustment and fair value remeasurement for available-for-sale investments.

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2. Principal Accounting Policies (Continued)**(ad) Segment reporting**

Our Group's segments are business units that offer different services and are reviewed separately by the chief operating decision maker (the "CODM") in deciding how to allocate resources and in assessing performance. The Group's CODM has been identified as the Chief Executive Officer. As the Group's long-lived assets and revenues are substantially located in and derived from the PRC, no geographical segments are presented.

The Group's organizational structure is based on a number of factors that the CODM uses to evaluate, view and run the Group's business operations, which include, but are not limited to, customer base, homogeneity of products and technology. The Group's operating segments are based on its organizational structure and information reviewed by the Group's CODM to evaluate the operating segment results.

(ae) Recently issued accounting pronouncements

In April 2015, the FASB issued Accounting Standards Update (ASU) No.2015-03, *Interest — Imputation of Interest* ("Subtopic 835-30"): Simplifying the Presentation of Debt Issuance Costs. The standard requires companies to present debt issuance costs the same way they currently present debt discounts, as a direct deduction from the carrying value of that debt liability. ASU2015-03 does not impact the recognition and measurement guidance for debt issuance costs. For public businesses, ASU No. 2015-03 will be effective for fiscal years starting after December 15, 2015, including any interim periods within those years. Early adoption of ASU No. 2015-03 will be allowed for financial statements that have yet to be issued. The amendments of ASU No. 2015-03 must be applied retrospectively, where the balance sheet of each presented individual period is adjusted to indicate the period-specific impact of using the new guidance. During the transition phase, a business must adhere to the appropriate disclosures for an adjustment in an accounting principle. Such disclosures include why the change in accounting principle is occurring, the method of transition, a explanation of the previous period's information that was retrospectively adjusted, and how the change impacts the financial statement line items (i.e., debt issuance cost asset and the debt liability).The implementation of this update is not expected to have any material impact on the Company's consolidated financial statements.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers-Deferral of the effective date* ("ASU 2015-14"). The amendments in ASU 2015-14 defer the effective date of ASU No. 2014-09, Revenue from Contracts with Customers issued in May 2014. According to the amendments in ASU 2015-14, the new revenue guidance ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is in the process of evaluating its contracts with customers under the new standard and cannot currently estimate the financial statement impact of adoption.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes-Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"). The amendments in this update simplify the presentation of deferred income taxes. ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in ASU 2015-17 are effective for fiscal years beginning after December 15, 2016 including interim periods within those fiscal years. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. As of December 31, 2015, deferred tax assets and deferred tax liabilities amounted to RMB36.0 million (US\$5.6 million) and nil respectively are classified as current.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("Topic 718"). The new update will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. The standard also will allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. The guidance is effective for the Company on January 1, 2017. Early application is permitted in any annual or interim period for which financial statements haven't been issued or made available for issuance, but all of the guidance must be adopted in the same period. The Company is currently evaluating the impact on its consolidated financial statements of adopting this guidance.

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3. Certain Risks and Concentration**(a) Major customers**

A significant portion of Group's MVAS is generated through and from CMCC, which is also a related party as a result of being a shareholder of Phoenix TV. 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 through and from CMCC for the years ended December 31, 2013, 2014 and 2015 were RMB429.6 million, RMB320.4 million and RMB309.3 million (US\$47.7 million), respectively, which accounted for 30.2%, 19.6% and 19.2% of the respective years' total revenues.

The amounts due from CMCC as of December 31, 2014 and 2015 were RMB74.3million and RMB58.3 million (US\$9.0 million), respectively, which is included on the consolidated balance sheets as "Amounts 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 and due from related parties, respectively.

(b) Credit risk

The Group's credit risk arises from cash and cash equivalents, term deposits, short term investments and restricted cash as well as credit exposures to receivables due from its customers, related parties and other parties.

The Group expects that there is no significant credit risk associated with cash and cash equivalents, term deposits, short term investments and restricted cash for short-term loans which were held by reputable financial institutions in the jurisdictions where the Company, its subsidiaries, VIEs and the subsidiaries 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 accounts 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.

(c) Currency convertibility 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 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 Group is exposed to certain macro-economic and regulatory risks and uncertainties in the Chinese market. These uncertainties affect 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 these industries. Regulatory risk also encompasses the interpretation by the tax authorities of current tax laws, the status of properties leased for the Group's 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 Group's ability to conduct business in the PRC. The PRC government may also require the Group to restructure its operations entirely if it finds that its 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.

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3. Certain Risks and Concentration (Continued)

(e) Investments risk

The Group has made and may undertake in the future investments in subsidiaries, affiliates and other business alliance partners in various Internet-related businesses. It is uncertain whether the Group will receive the expected benefits from these investments, due to any adverse regulatory changes, worsening of economic conditions, increased competition or other factors that may negatively affect the related business activities. Some of the businesses the Group has invested in are subject to intensive regulation. For example, one of the Group's investees had suspended all of its online lottery ticket distribution businesses and had not generated any revenue since March 2015 in response to the Notice related to Self-Inspection and Self-Remedy of Unauthorized Online Lottery Sales, or the Self-Inspection Notice, which was jointly promulgated by the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sports of the People's Republic of China. Any such adverse regulatory change may have a material adverse impact on the business and financial performance of the subsidiaries, affiliates and other business alliance partners. Furthermore, unanticipated costs and liabilities may be incurred in connection with those business strategies, including liabilities from the claims related to the businesses prior to the business alliances, and cost from actions by regulatory authorities.

4. Accounts Receivable, Net

The following table sets out the balance of accounts receivable as of December 31, 2014 and 2015:

	As of December 31,		
	2014 RMB	2015 RMB	2015 US\$
Accounts receivable, gross	517,336	565,197	87,251
Allowance for doubtful accounts	(23,767)	(58,846)	(9,084)
Accounts receivable, net	493,569	506,351	78,167

The following table presents the movement of the allowance for doubtful accounts:

	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Balance as of January 1,	22,198	20,584	23,767	3,669
Additional provision charged to bad debt expenses	2,590	9,229	46,990	7,254
Write-off of bad debt provision	(4,204)	(1,526)	(11,911)	(1,839)

Disposition of certain investment in a subsidiary	—	(4,520)	—	—
Balance as of December 31,	20,584	23,767	58,846	9,084

5. Prepayments and Other Current Assets

The following is a summary of prepayments and other current assets:

	As of December 31,		
	2014 RMB	2015 RMB	2015 US\$
Prepaid rental and deposits	1,557	3,666	566
Prepayments to suppliers and other business related expenses	33,788	47,465	7,327
Receivables related to exercise of employee options	4,759	5,002	772
Others	2,599	2,441	377
Total	42,703	58,574	9,042

Prepayments to suppliers and other business related expenses mainly consist of business related staff advances, and the Group's prepaid content licenses fee to third-party content suppliers for the rights to access and present on the Group's website the contents produced by these suppliers during a certain period. These content licenses generally have a license period of one to three years, and are amortized over the license period on a straight-line basis. The portion of the prepaid content licenses cost that relates to the license period more than 12 months from the balance sheet date is classified as other non-current assets.

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6. Property and Equipment, Net

The following is a summary of property and equipment, net:

	As of December 31,		
	2014 RMB	2015 RMB	2015 US\$
Computers, equipment and furniture	130,327	157,604	24,330
Motor vehicles	6,319	6,319	975
Leasehold improvements	35,983	37,167	5,738
Total	172,629	201,090	31,043
Less: accumulated depreciation	(82,935)	(120,553)	(18,610)
Net book value	89,694	80,537	12,433

Depreciation expenses for the years ended December 31, 2013, 2014 and 2015 were RMB28.7 million, RMB31.6 million and RMB38.1 million (US\$5.9 million), respectively. The depreciation expenses for the year ended December 31, 2015 included RMB2.4 million (US\$0.4 million) as a result of the change in estimated useful lives (see Note 2(j)).

7. Intangible Assets, Net

The following table summarizes the Group's intangible assets, net:

	As of December 31,		
	2014 RMB	2015 RMB	2015 US\$
Software	14,541	20,923	3,231
Operating rights for licensed games	10,499	10,976	1,694
Domain name	54	54	8
Total	25,094	31,953	4,933
Less: accumulated amortization impairment	(10,181)	(15,727)	(2,428)
Net book value	14,913	12,404	1,915

Amortization expenses for the years ended December 31, 2013, 2014 and 2015 were RMB2.8 million, RMB4.7 million and RMB7.4 million (US\$1.1 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: 2016: RMB4.6 million, 2017: RMB2.8 million, 2018: RMB2.2 million, 2019: RMB1.9 million and 2020: RMB0.9 million.

In view of mobile game business performance and near-term business outlook that were below previous expectations, the Group performed an assessment on the intangible assets related to mobile game business and recorded an impairment charge against operating rights for licensed games of RMB3.8 million (US\$0.6 million) for the year ended December 31, 2015.

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8. Available-for-sale Investments

In October 2014, the Company acquired Series B convertible redeemable preferred shares of Particle Inc. (“Particle”), representing 9.34% of the equity interest, on an as-if converted basis with a total cash consideration of US\$6.0 million (RMB36.8 million). Particle owns Yidian Zixun, a personalized news and life-style information application in China, which allows users to define and explore desired content over mobile device. Including the ordinary shares of Particle recorded in equity investments (see Note 9), the Company owned approximately 18.42% equity interest of Particle on an as-if converted basis as of December 31, 2014.

In April 2015, the Company acquired Series C convertible redeemable preferred shares with a cash consideration of US\$30.0 million (RMB183.5 million), and acquired additional ordinary shares and Class A ordinary shares with a total cash consideration of US\$27.6 million (RMB168.5 million). Following the transactions, Particle repurchased all the ordinary shares and Class A ordinary shares held by the Company, including ordinary shares purchased by the Company in 2014 (see Note 9), and issued one Series C convertible redeemable preferred share for each ordinary share or Class A ordinary share. The gain on disposal of ordinary shares and Class A ordinary shares and acquisition of Series C convertible redeemable preferred shares was RMB4.6 million for the year ended December 31, 2015. As of December 31, 2015, the Company hold 46.95% equity interest of Particle on an as-if converted basis.

As the Company does not expect to sell or redeem the Series B and Series C convertible redeemable preferred shares within one year, they are classified as long-term available-for-sale investments and reported at fair value which is estimated by management after considering an independent appraisal performed by a reputable appraisal firm.

Total unrealized gains on available-for-sale investments recorded in accumulated other comprehensive loss or income were RMB40.3 million and RMB56.2 million (US\$8.7 million) as of December 31, 2014 and 2015, respectively. The carrying value of available-for-sale investments in Particle were RMB77.1 million and RMB514.0 million (US\$79.3 million) as of December 31, 2014 and 2015, respectively.

9. Equity Investments

In March 2014, IDG-Accel China Growth Fund III L.P. and IDG-Accel China III Investors L.P. (“IDG-Accel Funds”) acquired US\$3.0 million convertible preferred shares of Phoenix FM Limited (“FM”), previously a subsidiary of the Company, to accelerate development of the ifeng application business. Despite holding 100% of FM’s ordinary shares, the Company accounts for its investment in FM as an equity investment since the Company does not control FM due to substantive participating rights that have been provided to the IDG-Accel Funds. On the date the Company lost control of FM, the Company recognized a gain of RMB18.0 million in the consolidated statements of comprehensive income primarily arising from the difference between the fair value of its 100% equity interest of ordinary shares and the carrying amount of net assets in FM. The fair value of the ordinary shares was estimated by management after considering an independent appraisal performed by a reputable appraisal firm. As of December 31, 2015, the carrying value of equity investment in FM was nil. In addition to the equity investment in FM as of December 31, 2015, there was a RMB15.2 million loan receivable due from FM which has been impaired. The impairment amount was RMB9.0 million for the year ended December 31, 2015 which has also been included in “loss from equity investments, including impairments”.

In April 2014, the Group established a wholly owned subsidiary, Shenzhenshi Fenghuang Jingcai Network Technology Co., Ltd. (“Fenghuang Jingcai”), for the development of online lottery ticket distribution business. Shikong Chuangyi (Beijing) Technology Culture Development Co. Ltd. and an individual investor agreed to inject capital of RMB8.2 million to acquire Fenghuang Jingcai’s 54.94% equity interest. As the Group lost control of Fenghuang Jingcai after the capital injections, RMB5.5 million gain on disposition of subsidiaries and acquisition of equity investments was recognized in the consolidated statements of comprehensive income primarily arising from the difference between the fair value of its retained 45.06% equity interest and the carrying amount of Fenghuang Jingcai’s net assets. The fair value of the retained investment was estimated by management after considering an independent appraisal performed by a reputable appraisal firm.

Since March 2015, Fenghuang Jingcai had suspended all of its online lottery ticket distribution businesses and had not generated any revenue, in response to the Notice related to Self-Inspection and Self-Remedy of Unauthorized Online Lottery Sales, or the Self-Inspection Notice, which was jointly promulgated by the Ministry of Finance, the Ministry of Civil Affairs and the General Administration of Sports of the People’s Republic of China. The management assesses that this regulatory change will continue to have negative influence to the cash flows of Fenghuang Jingcai in the future, and that the carrying value of Fenghuang Jingcai may not be fully recoverable. For the year ended December 31, 2015, the impairment of the equity investment in Fenghuang Jingcai recorded in the consolidated statements of comprehensive income was RMB3.2 million (US\$0.5 million). As of December 31, 2015, the carrying value of equity investment in Fenghuang Jingcai was nil.

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9. Equity Investments (Continued)

In December 2014, the Company acquired ordinary shares of Particle, representing 9.08% equity interest of Particle, on an as-if converted basis with a cash consideration of US\$5.0 million (RMB31.2 million) and a number of the Company’s ordinary shares with fair value of US\$2.8 million (RMB17.3 million). Such investment was accounted for under the equity method as of December 31, 2014. Including the Series B convertible redeemable preferred shares of Particle purchased in October 2014 and recorded in available-for-sale investments (see Note 8), the Company owned approximately 18.42% equity interest of Particle on an as-if converted basis as of December 31, 2014. In April 2015, all the ordinary shares and Class A ordinary shares the Company purchased were converted to Series C convertible redeemable preferred shares and all the investments in Particle were accounted for available-for sale investments as of December 31, 2015 (see Note 8).

After the deconsolidation of Beijing Fenghuang Tianbo Network Technology Co., Ltd. (“Tianbo”) in December 2014 (see Note 18), the Group hold 50% of the equity interest of Tianbo which was in the amount of RMB14.3 million as of December 31, 2014. As of December 31, 2015, the carrying value of equity investment in Tianbo was RMB9.6 million (US\$1.5 million).

In January 2015, the Group acquired 5% equity interest of Beijing Phoenix Lilita Information Technology Co., Ltd. (“Lilita”), from a family member of the chairman of Phoenix TV, for an aggregate purchase price of RMB0.5 million (US\$0.1 million). Lilita is principally engaged in P2P lending and reward-based crowd-funding businesses.

In February 2015, the Group invested approximately RMB4.5 million (US\$0.7 million) in Hangzhou Qike Technology Co., Ltd., a company engaged in providing risk management and credit control based on big data analysis to all financial institution and eventually directly to customers, and hold 45% equity interest of the company.

In April 2015, the Group acquired 0.3% equity interest of Lifeix Inc. for an aggregate purchase price of US\$1.0 million (RMB6.1 million). Lifeix Inc. is the operator of a life station website L99.com or Lifeix.com. In December 2015, in view of business performance and near-term business outlook that were below management previous expectation, based on the other-than-temporary impairment assessment, the Group recorded the impairment loss of US\$1.0 million (RMB6.4 million) to write down the equity investment.

The Group summarizes the condensed financial information of the Group’s equity method investments as a group below in accordance with Rule 4-08 of Regulation S-X (The Group had no equity method investment as of December 31, 2013):

	For the Years Ended December 31,		
	2014 RMB	2015 RMB	2015 US\$
Operating data:			
Revenues	12,944	67,752	10,459
Gross profit	2,419	36,245	5,595
Net loss	(21,813)	(69,290)	(10,697)
PNM’s share of net loss, including impairments	(18,538)	(41,861)	(6,462)
	As of December 31,		
	2014 RMB	2015 RMB	2015 US\$
Balance sheet data:			
Current assets	130,351	58,239	8,991
Non-current assets	13,772	14,470	2,234
Current liabilities	61,835	82,756	12,775

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10. Other Non-Current Assets

The following is a summary of other non-current assets:

	As of December 31,		
	2014 RMB	2015 RMB	2015 US\$
Rental deposits	8,591	7,517	1,160
Non-current portion of prepayments to suppliers and other business related expenses	4,751	10,229	1,579
Total	13,342	17,746	2,739

11. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities are comprised of:

	As of December 31,		
	2014 RMB	2015 RMB	2015 US\$
Deposits from advertising agencies	25,203	14,031	2,166
Accrued professional fees	3,929	4,482	692
General operating expenses payables	52,988	59,702	9,216
Others	4,187	2,676	413
Total	86,307	80,891	12,487

12. Short-term Loans

In April 2015, the Group entered into a loan facility agreement (the “Facility”) with an offshore branch of a bank. According to the Facility, the Group is authorized certain amounts of loans with maturity of twelve months, and the loans are required to be secured by RMB deposits in an onshore branch of the bank. The loans are repayable on demand and bear interest rate of London InterBank Offered Rate (“LIBOR”) plus 1.0%. As of December 31, 2015, the Group obtained short-term loans of US\$20.2 million (RMB131.0 million) from the offshore branch of a bank, and the short-term loans were secured by deposits of RMB125.0 million. The pledged deposits were classified as restricted cash on the consolidated balance sheets.

13. Cost of Revenues

The cost of revenues is as follows:

	For the Years Ended December 31,			
	2013	2014	2015	2015
	RMB	RMB	RMB	US\$
Revenue sharing fees	249,797	192,076	216,972	33,495
Content and operational costs	277,038	376,555	406,741	62,790
Bandwidth costs	76,583	83,233	83,171	12,839
Sales taxes and surcharges	92,937	129,768	122,502	18,911
Total	696,355	781,632	829,386	128,035

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14. Income Taxes

Income Tax Expense and Effective Tax Rate

The provisions for income tax expense are summarized as follows:

	For the Years Ended December 31,			
	2013	2014	2015	2015
	RMB	RMB	RMB	US\$
Current tax expense	42,863	51,603	36,915	5,699
Deferred tax benefit	(5,275)	(3,226)	(11,398)	(1,760)
Income tax expense	37,588	48,377	25,517	3,939

The components of income before tax and income tax expense for PRC and non-PRC operations are as follows:

	For the Years Ended December 31,			
	2013	2014	2015	2015
	RMB	RMB	RMB	US\$
Income arising from PRC operations	292,333	358,667	159,318	24,594
Profit/(loss) arising from non-PRC operations	23,278	(48,171)	(61,416)	(9,480)
Income before tax	315,611	310,496	97,902	15,114
Income tax expense relating to PRC operations	37,573	48,281	25,510	3,938
Income tax expense relating to non-PRC operations	15	96	7	1
Income tax expense	37,588	48,377	25,517	3,939
Effective tax rate for PRC operations	12.9%	13.5%	16.0%	16.0%

Cayman Islands ("Cayman")

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. Additionally, upon payments of dividends to the shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands ("BVI")

The Group is exempted from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

Hong Kong

Entities incorporated in Hong Kong are subject to the tax rate 16.5% on the estimated assessable profit arising in Hong Kong.

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14. Income Taxes (Continued)

PRC

Prior to January 1, 2008, companies established in China were generally subject to state and local corporate income taxes, 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 a New Technology Enterprise.

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.

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.

Under the previous income tax laws and rules prior to January 1, 2008, Fenghuang On-line qualified as a New Technology Enterprise, could enjoy a favorable tax rate of 15% and was exempted from income tax for three years beginning with its first year of operations, and was entitled to a 50% tax reduction to 7.5% for the subsequent three years and then had an income tax rate of 15% thereafter. Fenghuang On-line continued to meet the criteria for New Technology Enterprise from 2008 to 2010, and it has also been qualified as HNTE under the EIT Law in 2008, and it can continue to enjoy its unexpired tax holidays. In 2011 and 2014, Fenghuang On-line resubmitted applications for qualification as an HNTE, which were approved in October 2011 and November 2014, respectively. Therefore, Fenghuang On-line was entitled to tax exemption from 2006 to 2008, a 50% reduction of its applicable EIT rate to 7.5% from 2009 to 2011 and was subject to a 15% income tax rate for the years 2012 to 2016.

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, the Group 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 HNTE status under the EIT Law, then it was entitled to pay tax at the rate of 7.5%. Circular 157 appears 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 HNTE in Science & Technology Park of Haidian District, where Fenghuang On-line is located. Therefore Fenghuang On-line has kept its current practice unchanged. The Group expects more guidance to be issued in the future. Upon the issuance of such guidance, Fenghuang On-line’s effective tax rate might increase. If Circular 157 were implemented with a retroactive effect, Fenghuang On-line would be liable to pay additional taxes for its historical earnings before the implementation of Circular 157. The Group did not recognize liability for this uncertainty as it believes the probability of a retroactive implementation is remote.

In 2008, Tianying Jiuzhou qualified as an HNTE under the EIT Law. Therefore, Tianying Jiuzhou was entitled to the preferential tax rate of 15% from 2008 to 2010. In 2011 and 2014, Tianying Jiuzhou resubmitted applications for qualification and was approved as an HNTE. Therefore, Tianying Jiuzhou was subject to a 15% EIT rate from 2011 to 2016.

Yifeng Lianhe qualified as an HNTE under the EIT Law in 2011, and therefore was subject to 15% income tax rate from 2011 to 2012. In 2013, Yifeng Lianhe was no longer qualified as an HNTE pursuant to the joint annual inspection by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, and was subject to a 25% EIT rate from 2013.

In 2012, Fenghuang Yutian qualified as a Software Enterprise. As 2013 was the first year Fenghuang Yutian generated taxable profit, it was exempted from EIT for years 2013 and 2014, and was subject to a 12.5% EIT rate from 2015 to 2017.

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14. Income Taxes (Continued)

Tianying Chuangzhi, Fenghuang Mingdao, Fenghuang Feiyang, Fenghuang Interactive Entertainment, Fenghuang Borui, Qieyiyou, Youjiuzhou, Chenhuan, Huanyou Tianxia, Chengdu Huanyou, Yixi, Meowpaw, Fenghuang Convergence and Jinhua Huyu were subject to a 25% EIT rate for all the years 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.” However, due to limited guidance and implementation history of the EIT Law, if PNM is treated as a resident enterprise for PRC tax purposes, the Company would 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 dividend to be distributed by 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.

The current dividend 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. Accordingly, the Company does not intend to have its PRC subsidiaries distribute any undistributed profits of

such subsidiaries to their direct overseas parent companies, but rather intends that such profits will be permanently reinvested in such subsidiaries to further expand their business in the PRC. As of December 31, 2015, the Company did not record any withholding tax on the retained earnings of its FIEs in the PRC. Aggregate undistributed earnings of the Group's entities located in the PRC that were available for distribution to the Company as of December 31, 2014 and 2015 were approximately RMB838.1 million and RMB959.7 million (US\$148.2 million), respectively. The amounts of the unrecognized deferred tax liability on the permanently reinvested earnings were RMB83.8 million and RMB96.0 million (US\$14.8 million) as of December 31, 2014 and 2015, respectively.

Reconciliation of the Differences between Statutory Tax Rate and the Effective Tax Rate

Reconciliation of the differences between PRC statutory income tax rate and the Group's effective income tax rate for PRC operations for the years ended December 31, 2013, 2014 and 2015 is as follows:

	For the Years Ended December 31,		
	2013 %	2014 %	2015 %
Statutory income tax rate	25.0	25.0	25.0
Permanent differences	(1.5)	(1.7)	(2.7)
Change in valuation allowance	1.1	0.4	(0.9)
Effect of preferential tax benefits	(13.2)	(11.5)	(6.3)
Uncertain tax positions	1.4	1.3	0.9
Others	0.1	—	—
Effective income tax rate	12.9	13.5	16.0

The combined effects of the income tax expense exemption and reduction available to the Group are as follows:

	For the Years Ended December 31,			
	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Preferential tax rate effect	38,534	41,157	10,073	1,555
Basic net income per share effect	0.06	0.07	0.02	0.003

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14. Income Taxes (Continued)

Deferred Tax Assets and Liabilities

The tax effects of temporary differences that give rise to the deferred tax assets and liabilities balances at December 31, 2014 and 2015 are as follows:

	As of December 31,		
	2014 RMB	2015 RMB	2015 US\$
Deferred tax assets - current:			
Provision of allowance for doubtful accounts	5,038	13,229	2,042
Accrued payroll and expenses and others	19,527	22,734	3,510
Total current deferred tax assets	24,565	35,963	5,552
Deferred tax assets - non-current:			
Net operating loss carryforward	7,101	4,676	722
Less: valuation allowance	(7,101)	(4,676)	(722)
Total non-current deferred tax assets, net	—	—	—
	As of December 31,		
	2014 RMB	2015 RMB	2015 US\$
Deferred tax liabilities - non-current:			
Equity investments acquired in disposition of subsidiaries	1,312	1,312	203

As of December 31, 2015, the Group had net operating loss carryforward of approximately RMB18.7 million (US\$2.9 million), which can be carried forward to offset future taxable income. Net operating loss carryforward of nil, RMB3.6 million, RMB1.4 million, RMB5.2 million and RMB8.5 million will expire in 2016, 2017, 2018, 2019 and 2020, respectively, if not utilized.

Movement of Valuation Allowance

Valuation allowance is provided against deferred tax assets when the Group 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 Group considered factors including future reversals of existing taxable temporary differences, future profitability, and tax planning strategies. Valuation allowance was provided for net operating loss carryforward 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.

The following table sets forth the movement of the valuation allowance for deferred tax assets:

	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Balance as of January 1,	1,743	5,569	7,101	1,096

Current year addition/(reduction)	3,826	1,532	(2,425)	(374)
Balance as of December 31,	5,569	7,101	4,676	722

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14. Income Taxes (Continued)

Uncertain Tax Positions

A reconciliation of the beginning and ending amount of liabilities associated with uncertain tax benefits is as follows:

	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Balance as of January 1,	7,996	12,231	16,867	2,604
Increase related to current year tax positions	4,235	4,636	1,501	232
Balance as of December 31,	12,231	16,867	18,368	2,836

The Group did not accrue any potential penalties and interest related to these unrecognized tax benefits for all years 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, 2015 to be material in the next twelve months. 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 2011 to 2015 remain subject to examination by tax authorities. There are no ongoing examinations by tax authorities as of December 31, 2015.

15. 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. All share and per share data have been revised to reflect the retroactive effect of the share issuance in May 2008.

The Company completed the initial public offering ("IPO") on May 17, 2011 and the underwriters subsequently exercised their over-allotment option on June 8, 2011. A total of 13,415,125 ADSs were issued and sold in these transactions, each ADS represents eight Class A ordinary shares. Immediately following the closing of the IPO, the Memorandum and Articles of Association were amended and restated such that the authorized share capital consisted of 1,000,000,000 ordinary shares at a par value of US\$0.01 per share, of which 680,000,000 shares were designated as Class A ordinary shares, 320,000,000 as Class B ordinary shares. The impact of dividing of Class A and Class B ordinary shares has been retroactively reflected in the Company's capital structure in the financial statements. Upon the completion of the Company's IPO, all 130,000,000 Series A Preferred Shares were automatically converted to Class A ordinary shares, and the preferred share shareholders sold 1,267,500 ADSs. In addition, Phoenix TV, through the Parent converted 2,674,640 Class B ordinary shares into Class A ordinary shares, and distributed the Class A ordinary shares to its shareholders in an assured entitlement distribution.

Holders of Class A ordinary shares and Class B ordinary shares have the same rights except that 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. The Parent, which is wholly owned by Phoenix TV, holds Class B ordinary shares, each of which is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

As of December 31, 2014, there were 260,204,642 and 317,325,360 Class A and Class B ordinary shares issued and outstanding, respectively.

As of December 31, 2015, there were 253,250,854 and 317,325,360 Class A and Class B ordinary shares issued and outstanding, respectively. The Class A ordinary shares issued and outstanding decreased for the years ended December 31, 2014 and 2015 mainly due to the share repurchase program. Refer to Note 21 for details.

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16. Share-based Compensation

Share-based compensation was recognized in costs and expenses for the years ended December 31, 2013, 2014 and 2015 as follows:

For the Years Ended December 31,

	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Cost of revenues	7,293	16,295	6,335	978
Sales and marketing expenses	3,922	10,200	3,043	470
General and administrative expenses	3,662	20,927	21,836	3,371
Technology and product development expenses	1,846	5,759	3,140	485
Total	16,723	53,181	34,354	5,304

The Company recognized share-based compensation, net of estimated forfeitures, on a graded-vesting basis over the vesting term of the awards. As of December 31, 2015, the Company increased the forfeiture rate of share-based awards base on the management estimation. Due to the effects of changes to the forfeiture rate, the decreased share-based compensation for the year ended December 31, 2015 was RMB18.0 million. Furthermore, it would cause a decrease in share-based compensation in amount of RMB5.1 million, RMB2.4 million and RMB0.6 million for the years ended December 31, 2016, 2017 and 2018, respectively. There was no income tax benefit recognized in the consolidated statements of comprehensive income for share-based compensation and the Company did not capitalize any of the share-based compensation as part of the cost of any asset in the years ended December 31, 2013, 2014 and 2015.

Share Options

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 options to its eligible recipients for up to 10% of the ordinary shares in issue (the "Limit") on the effective date of the June 2008 Scheme. The total number of ordinary shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the June 2008 Scheme and any other share option schemes of the Company shall not exceed 30% of the ordinary shares in issue from time to time. 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. In August 2012, the Company's shareholders approved to refresh the Limit, permitting the Company to grant no more than 31,410,107 additional options under the June 2008 Scheme.

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. Those option awards vest over a period of four years and expire in ten years.

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16. Share-based Compensation (Continued)

A summary of the Company's share option activities for the years ended December 31, 2013, 2014 and 2015 is presented below:

	Number of Options	Weighted Average Exercise Price US\$	Weighted Average Remaining Contractual Life Years	Aggregate Intrinsic Value US\$ in Million
Outstanding as of January 1, 2013	13,997,069	0.03	5.4	5.9
Granted	30,732,900	0.58		
Forfeited and expired	(1,408,938)	0.44		
Exercised	(3,550,910)	0.03		3.6
Outstanding as of December 31, 2013	39,770,121	0.44	8.1	30.2
Granted	21,052,758	1.30		
Forfeited and expired	(4,013,850)	0.91		
Exercised	(6,542,022)	0.23		7.1
Outstanding as of December 31, 2014	50,267,007	0.79	8.2	17.6
Granted	8,020,000	0.92		
Forfeited and expired	(8,379,197)	1.03		
Exercised	(3,790,280)	0.36		1.5
Outstanding as of December 31, 2015	46,117,530	0.81	7.5	7.6
Exercisable as of December 31, 2015	19,685,325	0.58	6.2	6.2
Vested and expected to vest as of December 31, 2015	38,650,898	0.76	7.3	7.3

The aggregate intrinsic value of options outstanding, exercisable and vested and expected to vest as of December 31, 2015 was calculated as the difference between the Company's closing stock price of US\$6.02 per ADS, or US\$0.75 per share as of that date, and the exercise price of the underlying options. The aggregate intrinsic value of options exercised was calculated as the difference between the market value on the date of exercise and the exercise price of the underlying options.

As disclosed in Note 2(t), the Company's share-based compensation is measured at the value of the award as calculated under the Black-Scholes option pricing model. 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 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. The assumptions used in determining the fair value of options granted during the year ended December 31, 2013, 2014 and 2015 are as follows:

For the Years Ended December 31,

2013

2014

2015

Expected volatility rate	57.6%-58.42%	56.1%-57.5%	54.23%-54.32%
Expected dividend yield	—	—	—
Expected term (years)	6.16	5.81-6.16	5.91-6.16
Risk-free interest rate (per annum)	1.54%-1.88%	1.43%-1.88%	1.9%-1.98%

The weighted-average grant date fair value of options granted for the years ended December 31, 2014 and 2015 were US\$0.67, and US\$0.46, respectively.

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16. Share-based Compensation (Continued)

During 2009, 2010 and 2011, some employees voluntarily left the Company and exercised their vested share options in exchange for future entitlement of the Company's shares issuable after completion of the Company's IPO and upon the request of the former employees. The proceeds from the exercise of these options could not be refunded to the former employees in any event, even if the Company did not complete an IPO. Accordingly, these share options are considered to be exercised and the proceeds have been included in the additional paid-in capital of the Company. The proceeds received from exercise of these options amounted to RMB1.5 million (US\$0.2 million) as of December 31, 2015. The Company completed its IPO on May 17, 2011 and 4,934,565 shares have been issued to the former employees after that. There were 1,799,001 and 1,777,826 contingently issuable shares to be issued upon the former employees' request as of December 31, 2014 and 2015, respectively.

For the years ended December 31, 2013, 2014 and 2015, the Company has recognized share-based compensation for options of RMB16.8 million, RMB53.0 million and RMB34.4 million (US\$5.3 million), respectively.

As of December 31, 2015, there was RMB36.3 million (US\$5.6 million) of unrecognized share-based compensation for options, adjusted for estimated forfeitures. The unrecognized share-based compensation is expected to be recognized over a weighted-average period of 2.3 years.

Restricted Share Units

In March 2011, the Company adopted the 2011 restricted share and restricted share unit scheme. On March 17, 2011, the Company granted 10,050,958 restricted share units to the employees. Those restricted share units vest over a period of four years.

A summary of restricted share units activity for the years ended December 31, 2013, 2014 and 2015 is presented below:

Restricted Share Units	Number of Units	Weighted-Average Grant-Date Fair Value US\$
Unvested as of January 1, 2013	1,687,178	1.07
Granted	—	—
Vested	(1,156,282)	1.07
Forfeited	(105,317)	1.07
Unvested as of December 31, 2013	425,579	1.07
Granted	—	—
Vested	(386,763)	1.07
Forfeited	(6,316)	1.07
Unvested as of December 31, 2014	32,500	1.07
Granted	—	—
Vested	(32,500)	1.07
Forfeited	—	—
Unvested as of December 31, 2015	—	—

For the years ended December 31, 2013, 2014 and 2015, total share-based compensation recognized for restricted share units were RMB1.3 million, RMB0.3 million and RMB1.0 thousand (US\$0.2 thousand), respectively.

As of December 31, 2015, there was no unrecognized share-based compensation related to unvested restricted share units. The total fair value based on the respective vesting dates of the restricted share units vested were US\$1.2 million, US\$0.4 million and US\$0.03 million during the years ended December 31, 2013, 2014 and 2015, respectively.

Restricted Shares

On March 15, 2011, the Company cancelled 18,778,200 stock options granted historically, and granted 19,008,200 restricted shares to 22 employees on March 17, 2011. Those restricted shares vest over a period of four years. The incremental share-based compensation is US\$0.5 million. Total amount of unrecognized share-based compensation of unvested option and incremental share-based compensation is US\$2.2 million, including US\$0.2 million was recognized immediately, and US\$2.0 million was recognized during the rest of vesting period of restricted share.

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16. Share-based Compensation (Continued)

A summary of restricted share activity for the years ended December 31, 2013, 2014 and 2015 is presented below:

Restricted Shares	Number of Shares	Weighted-Average Grant-Date Fair Value US\$
Unvested as of January 1, 2013	4,759,780	1.07
Granted	—	—
Vested	(2,864,780)	1.07
Forfeited	(1,050,000)	1.07
Unvested as of December 31, 2013	845,000	1.07
Granted	—	—
Vested	(676,250)	1.07
Forfeited	(168,750)	1.07
Unvested as of December 31, 2014	—	—
Granted	—	—
Vested	—	—
Forfeited	—	—
Unvested as of December 31, 2015	—	—

For the years ended December 31, 2013, 2014 and 2015, total share-based compensation recognized for restricted shares were negative RMB1.3 million, negative RMB0.1 million and nil, respectively.

As of December 31, 2015, there was no unrecognized share-based compensation related to unvested restricted shares. The total fair value based on the respective vesting dates of the restricted shares vested were US\$3.1 million, US\$0.7 million and nil during the years ended December 31, 2013, 2014 and 2015, respectively.

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.

17. Segments

The Group currently operates in two principal operating segments: net advertising services and paid services. Information provided to the CODM is at the gross margin level. The Group currently does not allocate operating expenses or assets to its segments, as its CODM does not use such information to allocate resources to or evaluate the performance of the operating segments.

The following table presents summary information by segments:

	For the Years Ended December 31,			
	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Revenues				
Net advertising services	863,737	1,190,158	1,226,516	189,342
Paid services	560,738	447,702	382,680	59,076
Total revenues	1,424,475	1,637,860	1,609,196	248,418
Cost of revenues				
Net advertising services	(379,868)	(522,553)	(557,421)	(86,051)
Paid services	(316,487)	(259,079)	(271,965)	(41,984)
Total cost of revenues	(696,355)	(781,632)	(829,386)	(128,035)
Gross profit				
Net advertising services	483,869	667,605	669,095	103,291
Paid services	244,251	188,623	110,715	17,092
Total gross profit	728,120	856,228	779,810	120,383

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18. Deconsolidation

Tianbo previously was a 51% equity-owned consolidated subsidiary of the Group with the board resolution requiring more than 50% board members to approve. In December 2014, the Group sold 1% equity interest of Tianbo to the minority shareholder of Tianbo. After the disposition, although the Group still has the majority of board seats, all the resolutions must be unanimously approved by all of the board members. Therefore, the Group lost control of Tianbo because of such substantive participating rights that have been provided to minority shareholders. As the Group has significant influence over financial and operating decision-making after deconsolidation, the Group accounts for the retained 50% equity interests by using the equity method of

accounting. The retained investment was remeasured at fair value of RMB13.1 million on the date the Group lost control of Tianbo. The gain on deconsolidation of RMB6.2 million was calculated as the difference between: a) the aggregate of (1) the cash consideration of RMB0.2 million, (2) the fair value of the retained 50% equity interest of RMB13.1 million, (3) the carrying amount of noncontrolling interest in the former subsidiary of RMB2.9 million, and b) the carrying amount of Tianbo's net assets of RMB10.0 million. The fair value of the retained investment was estimated by management after considering an independent appraisal performed by a reputable appraisal firm.

19. 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. The Group measured and reported on its consolidated balance sheets at fair value on a recurring basis.

The following table sets forth the financial instruments, measured at fair value, by level within the fair value hierarchy:

	Total Fair Value and Carrying Value on Balance Sheets 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
As of December 31, 2014:				
Assets:				
Term deposits and short term investments	40,000	—	40,000	—
Available-for-sale investments	77,093	—	—	77,093
As of December 31, 2015:				
Assets:				
Term deposits and short term investments	769,681	—	769,681	—
Available-for-sale investments	513,994	—	—	513,994
Restricted cash	125,000	125,000	—	—
Liabilities:				
Short-term loans	131,046	—	131,046	—

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19. Fair Value Measurements (Continued)

The following table sets forth the reconciliation of the fair value measurements using significant unobservable inputs (level 3) from January 1, 2014 to December 31, 2015:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Available-for-sale investments
Beginning balance as of January 1, 2014	—
Initial investments	36,810
Change in fair value	40,283
Ending balance as of December 31, 2014	77,093
Additional investments	352,008
Additional investments obtained from conversion of ordinary shares	40,538
Change in fair value	15,869
Currency translation adjustment	28,486
Ending balance as of December 31, 2015	513,994

Restricted cash The Group's restricted cash represents guarantee of banking facility which are restricted to withdrawal or usage. The fair values of restricted cash are determined based on the pervasive interest rate in the market. The Group classifies the valuation techniques that use the pervasive interest rates input as Level 1 of fair value measurement.

Term deposits The fair values of term deposits placed with banks with original maturities of more than three months and up to one year are determined based on the interest rates as stated in the contracts with the banks. The Group classifies the valuation techniques that use the interest rates input as Level 2 of fair value measurement.

Short term investments Short term investments represent interest-bearing deposit placed with financial institutions which are restricted to withdrawal and use. The investments are issued by commercial bank in China with a variable interest rate indexed to performance of underlying assets. To estimate fair value, the Group refers to the quoted rate of return provided by banks at the end of each period using the discounted cash flow method. The Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

Available-for-sale investments Available-for-sale investment represents the acquisitions of redeemable preferred shares in equity investment. In accordance with ASC 820, the Group measures available-for-sale investments at fair value on a recurring basis. The fair values of the Group's available-for-sale investments are determined based on the discounted cash flow model using the discount curve of market interest rates. The Group classifies the valuation techniques that use these inputs as Level 3 of fair value measurements.

The key inputs used in available-for-sale investments valuation as of December 31, 2014 and 2015 were as follow:

	For the Years Ended December 31,	
	2014	2015
Discounted rate	28.0%	25.5%
Lack of marketability discount ("DLOM")	35.0%	26.0%
Volatility	57.7%	50.3%

Short-term loans The carrying value of the short-term loans approximates its fair value due to its short term nature. The rate of interest under the loan agreement with the lending bank was determined based on the prevailing interest rates in the market. The Group estimated the fair value of the short-term loans using the discounted cash flow methodology. The Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

The following are other financial instruments not measured at fair value in the balance sheets but for which the fair value is estimated for disclosure purposes.

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19. Fair Value Measurements (Continued)

Short-term receivables and payables Accounts receivable, prepayment and other current assets, and amounts due from related parties are financial assets with carrying values that approximate fair value due to their short term nature. Accounts payable, amounts due to related parties, advances from customers, salary and welfare payable, and accrued expenses and other current liabilities are financial liabilities with carrying values that approximate fair value due to their short term nature. For other short-term receivables and payables, the Group estimated fair values of short-term receivables and payables using the discounted cash flow method. The Group classifies the valuation technique as Level 3 of fair value measurement, as it uses estimated cash flow input which is unobservable in the market.

Other non-current assets Other non-current assets are financial assets with carrying values that approximate fair value due to the change in fair value after considering the discount rate, being immaterial. The Group estimated fair values of other non-current assets using the discounted cash flow method. The Group classifies the valuation technique as Level 3 of fair value measurement, as it uses estimated cash flow input which is unobservable in the market.

20. Net Income per Share

The following table sets forth the computation of basic and diluted net income per share for the years indicated:

	For the Years Ended December 31,			
	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Net income per Class A and Class B ordinary share - basic:				
Numerator:				
Net income attributable to Phoenix New Media Limited	279,554	263,091	73,584	11,360
Denominator:				
Weighted average number of Class A and Class B ordinary shares outstanding	602,991,298	595,521,893	569,058,424	569,058,424
Weighted average number of contingently issuable shares	2,997,099	2,094,730	2,189,299	2,189,299
Denominator used in computing net income per share — basic	605,988,397	597,616,623	571,247,723	571,247,723
Net income per Class A and Class B ordinary share — basic	0.46	0.44	0.13	0.02
Net income per Class A and Class B ordinary share - diluted:				
Numerator:				
Net income attributable to Phoenix New Media Limited	279,554	263,091	73,584	11,360
Denominator:				
Denominator used in computing net income per share — basic	605,988,397	597,616,623	571,247,723	571,247,723
Share-based awards	16,432,062	17,003,487	9,537,533	9,537,533
Denominator used in computing net income per share — diluted	622,420,459	614,620,110	580,785,256	580,785,256
Net income per Class A and Class B ordinary share — diluted	0.45	0.43	0.13	0.02
Net income per ADS (1 ADS represents 8 Class A ordinary shares):				
Denominator used in computing net income per ADS — basic	75,748,550	74,702,078	71,405,965	71,405,965

Denominator used in computing net income per ADS — diluted	77,802,557	76,827,514	72,598,157	72,598,157
Net income per ADS — basic	3.69	3.52	1.03	0.16
Net income per ADS — diluted	3.59	3.42	1.01	0.16

The Company has included 2,997,099, 2,094,730 and 2,189,299 contingently issuable shares in the denominator used in computing basic and diluted net income per share for the years ended December 31, 2013, 2014 and 2015, respectively. These shares are contingently issuable upon the holder's request without other substantive conditions and for no further consideration. There were 7,371,269, 27,823,275 and 29,572,888 options to purchase ordinary shares have been excluded from the computation of diluted net income per share for the years ended December 31, 2013, 2014 and 2015, respectively, as their effects would be anti-dilutive.

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21. Treasury Stock

On July 30, 2012, the Company's board of directors approved a share repurchase program. Under the terms of the approved program ("Share Repurchase Program"), the Company may repurchase and cancel up to US\$20.0 million worth of its outstanding ADSs from time to time for a period not to exceed twelve months.

During the years ended December 31, 2012 and 2013, the Company had repurchased 2,273,695 and 2,524,574 ADSs, respectively, on the open market for considerations of US\$8.3 million (RMB52.5 million) and US\$11.7 million (RMB72.6 million), respectively. As of December 31, 2013, the Company had repurchased a total of 4,798,269 ADSs for a total consideration of US\$20.0 million (RMB125.1 million). In 2013, all treasury stocks repurchased had been cancelled for an aggregate consideration of US\$20.2 million (RMB126.6 million) including cancellation fees of US\$0.2 million (RMB1.5 million).

In May 2014, the Company's board of directors approved a new share repurchase program ("New Share Repurchases Program"), the Company has been authorized to repurchase up to US\$50.0 million worth of its outstanding ADSs for a period not to exceed twelve months.

During the years ended December 31, 2014 and 2015, the Company had repurchased 4,021,073 and 1,347,071 ADSs, respectively, on the open market for considerations of US\$39.2 million (RMB241.3 million) and US\$10.8 million (RMB65.9 million), respectively. As of December 31, 2015, the Company completed the New Share Repurchases Program for a total of 5,368,144 ADSs repurchased. All treasury stocks repurchased had been cancelled for an aggregate consideration of US\$50.3 million (RMB308.9 million) including cancellation fees of US\$0.3 million (RMB1.7 million).

22. Commitments and Contingencies

(a) Commitments

As of December 31, 2015, future minimum commitments under non-cancelable agreements were as follows:

	Rental RMB	Bandwidth Purchases RMB	Cooperation with Phoenix TV Group* RMB	Content Purchases RMB	Property and Equipment, and Intangible Assets RMB	Others RMB	Total RMB
2016	42,092	22,781	1,526	20,398	193	2,518	89,508
2017	20,441	6,955	—	5,929	52	200	33,577
2018	3,356	—	—	2,795	—	60	6,211
2019	1,145	—	—	1,587	—	60	2,792
2020 and thereafter	—	—	—	691	—	25	716
Total	<u>67,034</u>	<u>29,736</u>	<u>1,526</u>	<u>31,400</u>	<u>245</u>	<u>2,863</u>	<u>132,804</u>

* The Group and Phoenix TV Group have been involved in various cooperation arrangements, including content sharing, branding and co-promotion, technical support and corporate management (see Note 2(a)). There was no payment for these arrangements until November 2009 when a cooperation agreement was signed between Phoenix TV and the Group to stipulate the cost and expenses charged to the Group for the 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 was RMB1.6 million for the first year of the agreement, and increases by 25% annually. On March 28, 2011, Phoenix TV and the Group 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. This fixed amount has been included in above table as a commitment to Phoenix TV Group.

The rental expenses were approximately RMB37.8 million, RMB39.8 million and RMB41.1 million (US\$6.3 million) during the years ended December 31, 2013, 2014 and 2015, respectively, and were charged to the consolidated statements of comprehensive income when incurred.

The Group did not have any significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2014 and 2015.

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Phoenix New Media Limited
Notes to Consolidated Financial Statements
(Amounts in thousands, except for number of shares (or ADSs) and per share (or ADS) data)

22. Commitments and Contingencies (Continued)

(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 its management is reasonably possible to have a material adverse effect, individually or in the aggregate, on the Group's financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties and the Group's view of these matters may change in the future. There exists the possibility of a material adverse impact on the Group's financial position, results of operations or cash flows for the period in which the unfavorable outcome occurs, and potentially in future periods.

(c) Long-term Liabilities for Uncertain Tax Positions

As mentioned in Note 14, as of December 31, 2014 and 2015, the Group had recorded uncertain tax positions of RMB16.9 million and RMB18.4 million (US\$2.8 million), respectively.

23. Related Party Transactions

The table below sets forth the major related parties and their relationships with the Group:

Related Parties	Relationships with the Group
Entities within the non US listed part of the Phoenix TV Group	Under common control by Phoenix TV
CMCC	A shareholder of Phoenix TV
Beijing Phoenix Lilita Information Technology Co., Ltd. ("Lilita")	Cost method investee, related party of Phoenix TV Group
Beijing Fenghuang Tianbo Network Technology Co., Ltd. ("Tianbo")	Equity method investee
Phoenix FM Limited ("FM")	Equity method investee
Shenzhen Fenghuang Jingcai Network Technology Co., Ltd. ("Fenghuang Jingcai")	Equity method investee
Particle Inc. ("Particle")	Available-for-sale method investee
Hangzhou Qike Technology Co., Ltd.	Equity method investee
Lifeix Inc.	Cost method investee
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
Mr. Wu Haipeng and Mr. He Yansheng	Legal shareholders of Chenhuan, employees of the Group
Ms. Shang Xiaowei and Ms. Shi Xueyi	Legal shareholders of Huanyou Tianxia, employees of the Group
Mr. Chen Ming and Mr. Zou Ming	Legal shareholders of You Jiuzhou, employees of the Group

During the years ended December 31, 2013, 2014 and 2015, significant related party transactions were as follows:

Transactions with the Non US Listed Part of Phoenix TV Group:

	For the Years Ended December 31,			
	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Contents provided by Phoenix TV Group	(3,477)	(3,757)	(4,730)	(730)
Data line services provided by Phoenix TV Group	(392)	(363)	(180)	(28)
Advertising and promotion expenses charged by Phoenix TV Group	(1,040)	(1,246)	(1,788)	(276)
Corporate administrative expenses charged by Phoenix TV Group	(404)	(354)	(1,812)	(280)
Project cost charged by Phoenix TV Group	—	—	(55)	(8)
Revenues earned from Phoenix TV Group and its customers	28,911	25,168	16,510	2,549

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Phoenix New Media Limited
Notes to Consolidated Financial Statements
(Amounts in thousands, except for number of shares (or ADSs) and per share (or ADS) data)

23. Related Party Transactions (Continued)

Transactions with CMCC:

	For the Years Ended December 31,			
	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Advertising revenues earned from CMCC	16,216	29,643	35,787	5,525
Paid service revenues earned from and through CMCC	413,407	290,755	273,510	42,223
Revenue sharing fees and bandwidth costs to CMCC	(72,622)	(41,766)	(44,359)	(6,848)

Transactions with Investees:

	For the Years Ended December 31,			
	2013	2014	2015	2015
	RMB	RMB	RMB	US\$
Loans provided to FM	—	4,300	8,000	1,235
Advances provided to FM	—	482	71	11
Loans repaid from FM	—	(800)	—	—
Advertising revenues earned from Tianbo	—	421	4,384	677
Advances provided to Tianbo	—	—	1,177	182
Advertising revenues earned from Lilita	—	333	14,414	2,225
Brand license authorization revenues earned from Lilita	—	855	3,155	487
Advertising resources provided by Tianbo	—	(31)	(39)	(6)
Advances provided to Fenghuang Jingcai	—	—	409	63

As of December 31, 2014 and 2015, the amounts due from and due to related parties were as follows:

	As of December 31,		
	2014	2015	2015
	RMB	RMB	US\$
Amounts due from related parties:			
Due from CMCC	74,273	58,295	8,999
Due from Phoenix TV Group	77,293	20,144	3,110
Due from investees	23,469	46,238	7,138
Others	1,189	—	—
Total	176,224	124,677	19,247
Amounts due to related parties:			
Due to CMCC	563	1,808	279
Due to Phoenix TV Group	21,926	17,060	2,634
Others	—	500	77
Total	22,489	19,368	2,990

The amounts due from or amounts due to Phoenix TV Group were net amounts of other operating funds provided by Phoenix TV, expenses paid by Phoenix TV Group on behalf of the Group, expenses charged by Phoenix TV Group under the cooperation agreement (see Note 22(a)), accounts receivable from Phoenix TV Group for the advertising services provided to its customers.

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Phoenix New Media Limited
Notes to Consolidated Financial Statements
(Amounts in thousands, except for number of shares (or ADSs) and per share (or ADS) data)

24. Restricted Net Assets

Relevant PRC laws and regulations permit payments of dividends by the Company's subsidiaries, the VIEs and the subsidiaries 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 subsidiaries of the VIEs incorporated in the PRC are required to annually appropriate 10% of their net after-tax income to the general reserve fund or the statutory surplus 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, and in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), *General Notes to Financial Statements*, the Company's subsidiaries, the VIEs and the subsidiaries 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 the restricted portion amounted to approximately RMB365.6 million and RMB549.9 million (US\$84.9 million) as of December 31, 2014 and 2015, 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 and pay dividends or distributions to the company's shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Company's subsidiaries, the VIEs and the subsidiaries of the VIEs to satisfy any obligations of the Company.

The Company performed a test on the restricted net assets of the Company's subsidiaries, the VIEs and the subsidiaries 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 it was applicable for the Company to disclose the condensed financial information for the parent company for the year ended December 31, 2015. For the purposes of presenting parent company only financial information, the Company records its investments in its subsidiaries and VIEs under the equity method of accounting. Such investments are presented on the separate condensed balance sheets of the Company as "Investments in subsidiaries and VIEs" and "Share of profit of subsidiaries and VIEs" in the condensed statements of comprehensive income. See Note 26 for this parent-company information.

25. Subsequent Events

Subsequent events were evaluated through the date the financial statements were issued.

Loans Provided to Particle

On January 28, 2016, the Company's board of directors authorized to grant short-term unsecured loans to Particle in an aggregate principal amount of up to US\$20 million at an interest rate of 4.35% per annum and with a term of twelve months. The Company has granted all of US\$20 million loans to Particle as of the date of this annual report. Particle is required to use the proceeds of the loans for its ordinary course working capital requirements.

Short-term Loans

In April 2016, the Group entered into a new loan facility agreement. According to the new facility, the term of the short-term loans of US\$20.2 million borrowed in April 2015 was extended for twelve months from the date of its maturity. Concurrent with the extension, the Group obtained additional US\$10.0 million short-term loans with maturity of twelve months. As of the date of this annual report, the Group's short-term loans were US\$30.2 million.

Short-term Extension of Cooperation Agreements with Phoenix TV

In November 2009, Fenghuang On-line entered into a cooperation agreement with Phoenix TV (see Note 2(a)), pursuant to the cooperation agreement, Tianying Jiuzhou and Yifeng Lianhe entered into a program content license agreement and a trademark license agreement with Phoenix TV's subsidiaries, respectively. Considering the significant growth and changes in the Group's business since execution of these agreements in 2009, the Company and Phoenix TV are working on a new set of agreements to amend and replace the existing agreements and provide the terms of future cooperation. While each of the existing agreements would have expired in March 2016, the Company and Phoenix TV agreed to extend the expiration date of these agreements to May 27, 2016 for more time to finalize the terms of the new agreements.

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Phoenix New Media Limited
Notes to Consolidated Financial Statements
(Amounts in thousands, except for number of shares (or ADSs) and per share (or ADS) data)

26. Additional Information-Condensed Financial Statements

The condensed financial statements of Phoenix New Media Limited have been prepared in accordance with SEC Regulation S-X Rule 5-04 and Rule 12-04.

The Company records its investments in subsidiaries under the equity method of accounting. Such investments are presented on the balance sheets as "investments in subsidiaries and VIEs" and the profit of subsidiaries is presented as "share of profit of subsidiaries and VIEs" in the statement of comprehensive income.

For the VIEs, where the Company is the primary beneficiary, the amount of the Company's investment is included in the balance sheet as "Interests in subsidiaries and VIEs" and the profit or loss of the VIEs is included in "Share of profit of subsidiaries and VIEs" in the statements of comprehensive income.

As of December 31, 2014 and 2015, there were no material contingencies, significant provisions for long-term obligations, or guarantees of the Company, except for those, if any, which have been separately disclosed in the consolidated financial statements.

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26. Additional Information-Condensed Financial Statements (Continued)

Phoenix New Media Limited
Condensed Financial Information of Parent Company
Balance Sheets
(Amounts in thousands, except for number of shares and per share data)

	As of December 31,		
	2014 RMB	2015 RMB	2015 US\$
ASSETS			
Current assets:			
Cash and cash equivalents	341,433	14,022	2,165
Term deposits and short term investments	—	83,854	12,945
Amounts due from related parties	24	30	5
Amounts due from subsidiaries and VIEs	186,103	216,451	33,414
Prepayments and other current assets	1,487	1,991	307
Total current assets	529,047	316,348	48,836
Non-current assets:			
Available-for-sale investments	77,093	513,994	79,347
Investments in subsidiaries and VIEs	1,122,093	1,189,213	183,583
Total non-current assets	1,199,186	1,703,207	262,930
Total assets	1,728,233	2,019,555	311,766
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Amounts due to related parties	2,224	3,326	513
Amounts due to subsidiaries and VIEs	—	205,268	31,688
Accrued expenses and other current liabilities	9,351	5,326	823
Total current liabilities	11,575	213,920	33,024
Total liabilities	11,575	213,920	33,024
Shareholders' equity:			
Class A ordinary shares (US\$0.01 par value, 680,000,000 shares authorized; 260,204,642 and 253,250,854 shares issued and outstanding as of December 31,	17,278	16,733	2,583

2014 and 2015, respectively)			
Class B ordinary shares (US\$0.01 par value, 320,000,000 shares authorized ; 317,325,360 and 317,325,360 shares issued and outstanding as of December 31, 2014 and 2015, respectively)	22,053	22,053	3,404
Additional paid-in capital	1,587,227	1,551,104	239,449
Treasury stock	(13,379)	—	—
Statutory reserves	65,968	70,311	10,854
Retained earnings	52,852	122,093	18,848
Accumulated other comprehensive (loss)/income	(15,341)	23,341	3,604
Total shareholders' equity	1,716,658	1,805,635	278,742
Total liabilities and shareholders' equity	1,728,233	2,019,555	311,766

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26. Additional Information-Condensed Financial Statements (Continued)

Phoenix New Media Limited Condensed Financial Information of Parent Company Statements of Comprehensive Income (Amounts in thousands)

	For the Years Ended December 31,			
	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Operating expenses:				
General and administrative expenses	(7,939)	(9,131)	(10,783)	(1,665)
Total operating expenses	(7,939)	(9,131)	(10,783)	(1,665)
Loss from operations	(7,939)	(9,131)	(10,783)	(1,665)
Other income/(expense), net:				
Interest income, net	23,185	19,187	4,625	714
Foreign currency exchange gain/(loss)	23,927	(6,792)	(4,948)	(764)
Gain on disposal of an equity investment and acquisition of available-for-sale investments	—	—	4,643	717
Others, net	1,368	1,359	6,242	964
Share of profit of subsidiaries and VIEs	239,013	258,468	73,805	11,394
Income before tax	279,554	263,091	73,584	11,360
Net income	279,554	263,091	73,584	11,360
Other comprehensive (loss)/income	(23,179)	44,786	38,682	5,972
Comprehensive income	256,375	307,877	112,266	17,332

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26. Additional Information-Condensed Financial Statements (Continued)

Phoenix New Media Limited Condensed Financial Information of Parent Company Statements of Cash Flows (Amounts in thousands)

	For the Years Ended December 31,			
	2013 RMB	2014 RMB	2015 RMB	2015 US\$
Cash flows from operating activities:				
Net cash provided by/(used in) operating activities	15,359	27,590	(8,754)	(1,351)
Cash flows from investing activities:				
Placement of term deposits and short term investments	(50,934)	(335,493)	(83,854)	(12,945)
Maturity of term deposits and short term investments	235,000	386,427	—	—
Payment for available-for-sale investments	—	(36,810)	(352,008)	(54,341)
Payment to subsidiaries and VIEs	(227,009)	(69,365)	(35,757)	(5,519)
Net cash used in investing activities	(42,943)	(55,241)	(471,619)	(72,805)
Cash flows from financing activities:				
Borrowings from subsidiaries and VIEs	—	13,867	212,435	32,794
Proceeds from exercise of stock options	519	8,756	6,944	1,072
Repurchase of ordinary shares	(65,198)	(242,500)	(66,417)	(10,253)
Net cash (used in)/provided by financing activities	(64,679)	(219,877)	152,962	23,613
Net decrease in cash and cash equivalents	(92,263)	(247,528)	(327,411)	(50,543)
Cash and cash equivalents at the beginning of the year	681,224	588,961	341,433	52,708
Cash and cash equivalents at the end of the year	588,961	341,433	14,022	2,165

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**THE SECOND SUPPLEMENTAL AGREEMENT
TO
THE CONTENT, BRANDING, PROMOTION AND TECHNOLOGY COOPERATION AGREEMENT**

This Supplemental Agreement is entered into by and between:

Party A: Phoenix Satellite Television Holdings Limited

Party B: Fenghuang On-line (Beijing) Information Technology Co., Ltd.

WHEREAS:

1. The Parties entered into the Agreement of Cooperation between Phoenix TV and Phoenix New Media on Content, Brand, Promotion and Technology (the "Cooperation Agreement") dated November 24, 2009;

2. The Parties entered into the Supplemental Agreement to the Content, Branding, Promotion and Technology Cooperation Agreement, dated March 28, 2011, to extend the term of the Cooperation Agreement to March 27, 2016 (the "Supplement").

NOW THEREFORE, in the principle of equality and mutual benefits, the Parties agree as follows, through friendly negotiation:

1. Term of the Cooperation Agreement

Both Party A and Party B agree to extend the term of the Cooperation Agreement and the Supplement to May 27, 2016.

2. Anything not provided in this Second Supplement, shall be governed by the Cooperation Agreement and the Supplement.

3. This Second Supplemental Agreement is an integral part of the Cooperation Agreement and the Supplement, and shall have equal legal effect.

4. This Second Supplemental Agreement shall be made in duplicate, each Party holding one copy, and shall become effective once signed by and affixed with the corporate seal of each Party.

[Signature Page]

Party A: Phoenix Satellite Television Trademark Limited

Authorized Representative: (Signature) (Seal)

Date: March 24, 2016

Party B: Fenghuang On-line (Beijing) Information Technology Co., Ltd.

Authorized Representative:

Date:

[Signature Page]

Party A: Phoenix Satellite Television Trademark Limited

Authorized Representative:

Date:

Party B: Fenghuang On-line (Beijing) Information Technology Co., Ltd.

Authorized Representative: (Signature) (Seal)

Date: March 24, 2016

**THE SECOND SUPPLEMENTAL AGREEMENT
TO
THE PROGRAM CONTENT LICENSE AGREEMENT**

This Supplement is entered into by and among:

Licensor: Phoenix Satellite Television Trademark Limited

Licensee: Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Yifeng Lianhe (Beijing) Technology Co., Ltd.

WHEREAS:

1. The Licensor and the Licensee entered into the Program Content License Agreement dated November 24, 2009 (the "Agreement");
2. The Licensor and the Licensee entered into the Confirmation Letter of the Program Content License Agreement, dated April 12, 2011, to extend the term of the Agreement to March 27, 2016 ("Confirmation Letter").

NOW THEREFORE, in the principle of equality and mutual benefits, the Parties agree as follows, through friendly negotiation:

1. Term of the Agreement

The Licensor and the Licensee agree to extend the term of the Agreement and the Confirmation Letter to May 27, 2016.

2. Anything not provided in this Supplement, shall be governed by the Agreement and the Confirmation Letter.
3. This Supplemental Agreement is an integral part of the Agreement and the Confirmation Letter, and shall have equal legal effect.
4. This Supplemental Agreement shall be made in triplicate and shall become effective once signed by and affixed with the corporate seal of each Party.

[Signature Page]

Licensor: Phoenix Satellite Television Trademark Limited

Authorized Representative: (Signature) (Seal)

Date: March 24, 2016

Licensee:
Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Authorized Representative:

Date:

Yifeng Lianhe (Beijing) Technology Co., Ltd.

Authorized Representative:

Date:

[Signature Page]

Licensor: Phoenix Satellite Television Trademark Limited

Authorized Representative:

Date:

Licensee:
Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Authorized Representative: (Signature) (Seal)

Date: March 24, 2016

Yifeng Lianhe (Beijing) Technology Co., Ltd.

Authorized Representative: (Signature) (Seal)

Date: March 24, 2016

**THE SECOND SUPPLEMENTAL AGREEMENT
TO
THE TRADEMARK LICENSE AGREEMENT**

This Supplement is entered into by and among:

Licensor: Phoenix Satellite Television Trademark Limited

Licensee: Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Yifeng Lianhe (Beijing) Technology Co., Ltd.

WHEREAS:

1. The Licensor and the Licensee entered into the Trademark License Agreement dated November 24, 2009 (the "Agreement");

2. The Licensor and the Licensee entered into the Confirmation Letter of the Trademark License Agreement, dated April 12, 2011, to extend the term of the Agreement to March 27, 2016 ("Confirmation Letter").

NOW THEREFORE, in the principle of equality and mutual benefits, the Parties agree as follows, through friendly negotiation:

1. Term of the Agreement

The Licensor and the Licensee agree to extend the term of the Agreement and the Confirmation Letter to May 27, 2016.

2. Anything not provided in this Supplement, shall be governed by the Agreement and the Confirmation Letter.

3. This Supplemental Agreement is an integral part of the Agreement and the Confirmation Letter, and shall have equal legal effect.

4. This Supplement Agreement shall be made in triplicate, and shall become effective once signed by and affixed with the corporate seal of each Party.

[Signature Page]

Licensor: Phoenix Satellite Television Trademark Limited

Authorized Representative: (Signature) (Seal)

Date: March 24, 2016

Licensee:

Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Authorized Representative:

Date:

Yifeng Lianhe (Beijing) Technology Co., Ltd.

Authorized Representative:

Date:

[Signature Page]

Licensor: Phoenix Satellite Television Trademark Limited

Authorized Representative:

Date:

Licensee:

Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Authorized Representative: (Signature) (Seal)

Date: March 24, 2016

Yifeng Lianhe (Beijing) Technology Co., Ltd.

Authorized Representative: (Signature) (Seal)

Date: March 24, 2016

Schedule of Material Differences between:

- the Cooperation Agreement, dated as of February 14, 2011, between China Mobile Communications Corporation and Beijing Tianying Jiuzhou Network Technology Co., Ltd. entered into in 2011, filed as Exhibit 10.25 to the Registration Statement on Form F-1 (File No. 333-173666) (“Cooperation Agreement 2011”),
- the Cooperation Agreement, dated as of April 24, 2013, between China Mobile Communications Corporation and Beijing Tianying Jiuzhou Network Technology Co., Ltd. entered into in 2013 (“Cooperation Agreement 2013”),
- the Cooperation Agreement, dated as of June 20, 2014, between China Mobile Communications Corporation and Beijing Tianying Jiuzhou Network Technology Co., Ltd. entered into in 2014 (“Cooperation Agreement 2014”), and
- the Cooperation Agreement, dated as of September 16, 2015, between China Mobile Communications Corporation and Beijing Tianying Jiuzhou Network Technology Co., Ltd. entered into in 2015 (“Cooperation Agreement 2015”).

<u>Material difference</u>	<u>Cooperation Agreement 2011</u>	<u>Cooperation Agreement 2013</u>	<u>Cooperation Agreement 2014</u>	<u>Cooperation Agreement 2015</u>
Article 1. Content of Cooperation — Section 1.1	<p>“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 ‘GoTone Phoenix Weekly’ message will be transmitted on each Saturday, and three ‘Phoenix Express’ messages will be transmitted irregularly in each month.”</p>	<p>“Party B agrees to produce solely for Party A two kinds of multimedia message products namely ‘GoTone Phoenix Weekly’ and ‘GoTone Phoenix Observer’ based on the programs of Phoenix Satellite TV. Among which, one ‘GoTone Phoenix Observer’ message will be transmitted on Monday, Wednesday, and Saturday each, two ‘GoTone phoenix Weekly’ message will be transmitted on a daily basis.”</p>	<p>“Party B agrees to produce solely for Party A two kinds of multimedia message products namely ‘GoTone Phoenix Weekly’ and ‘GoTone Phoenix Observer’ based on the programs of Phoenix Satellite TV. Among which, one ‘GoTone Phoenix Weekly’ message will be transmitted on Monday, Wednesday, and Saturday each, two ‘GoTone Phoenix Observer’ message will be transmitted on a daily basis.”</p>	<p>“Details on the content of cooperation provided by Party B to Party A are as set out in the scheduled Party A Project Specifications (Schedule II) and Party B’s responses.”</p>
Article 1. Content of Cooperation — Section 1.2	<p>“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.</p> <p>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.</p> <p>Party B covenants that it shall not provide, with or without consideration, such multimedia message products to any third party other than Party A.”</p>	<p>“ 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.</p> <p>Party B covenants that (1) it shall not provide, with or without consideration, such multimedia message products to any third party other than Party A; and (2) it shall not use such multimedia message products in its own name, unless such use if for the purpose of this Agreement.”</p>	<p>N/A — This article remains the same as Cooperation Agreement 2013</p>	<p>“The information service cooperation period for ‘GoTone Phoenix Mobile Newspaper’ during 2015 is between January 1 and December 31. The time limits for other contents of cooperation are as set out below:</p> <p>(1) Phase I service period: from the date the contract is signed through December 31, 2015;</p> <p>(2) Phase II service period: if the fiscal year 2016 connected transactions between Party A and Party B are approved by the shareholders of Party B’s parent (Phoenix Satellite Television Holdings Limited) at the shareholders’ general meeting, the Phase II service period will begin from the later of (i) the date of such approval or (ii) January 1, 2016; and the total length of the Phases I and II service periods will be one year;</p> <p>(3) In the event that the fiscal year 2016 connected transactions between Party A and Party B are not approved by the shareholders of Party B’s parent (Phoenix Satellite Television Holdings Limited) at the shareholders’ general</p>

meeting, this contract shall terminate; and the two parties will settle payments with respect to the service contents completed during the Phase I service period on the basis of the actual extent of completion.”

Article 1. Content of Cooperation — Section 1.3 (in 2011)	“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.”	N/A— this article is deleted	N/A — this article is deleted	N/A — this article is deleted; all content of cooperation is consolidated under Section 2.2.1, “Information Services”: (Party A Project Specifications is as set out below: 2.2.1. Information Services
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			Product	2015 Procurement Requirements
			Mobile Newspaper	GoTone Phoenix Series Mobile Newspaper “GoTone Phoenix Weekly” and “GoTone Phoenix Observer” series mobile newspaper 2015 full year information
			Phoenix Forum Events	Mobile Newspaper Products Annual Satisfaction Survey Once No fewer than 25 events.
			Phoenix Reading Club	No fewer than 750 person-times; and a minimum of 10 events in 6 cities.
			Information Services	iFeng.com media report No fewer than 200 times
				iFeng.com tier-1 channel 1
			Media Resources	iFeng.com 10086 dedicated zone 1
				iFeng.com large special report No fewer than 5 series.
				Mobile newspaper report No fewer than 140 times
				Promotion entry points No fewer than 10 entry points
				Phoenix Video broadcasts No fewer than 500 series
			Content Resources	Phoenix reading contents No fewer than 100 books
				News contents Real-time update, and at least 50 pieces each day
—such specifications shall be satisfied and surpassed)				

Article 1. Content of Cooperation — Section 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 thirty-one (31) tour	“Party A and Party B shall conduct jointly the “GoTone Current Affairs Forum” activity: Party A shall provide site, organize activity, and host Party B, while Party B shall provide hosts and lecturers who shall perform no less than fifty	“Party A and Party B shall conduct jointly the “GoTone Current Affairs Forum” activity: Party A shall provide site, organize activity, and host Party B, while Party B shall provide hosts and lecturers who shall perform no less than fifty	N/A — this article is deleted
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presentations throughout the country.”

(50) tour presentations throughout the country.

(50) tour presentations throughout the country.

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.”

In the meantime, Party B shall conduct niche and exclusive reading activities in collaboration with Party A, while Party A shall be responsible for inviting customers to attend the activities and Party B shall be responsible for provide site and organize activities. Party B shall conduct no less than fifty (50) activities during the cooperation period and ensure that a quota of thirty (30) people will be assigned to Party A for each activity.”

Material difference	Cooperation Agreement 2011	Cooperation Agreement 2013	Cooperation Agreement 2014	Cooperation Agreement 2015
Article 1. Content of Cooperation — Section 1.3.2	“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.”	“Based on Party A’s demand and by incorporating information of both parties products and services and Party B’s media resources, Party B should develop and operate a customer-end product for Party A’s customer with information, service, sales and communication functions.”	Party B will provide a series of services related to the operation and support of “Customers Club”, planning of activities, liaison, information collection, data analysis and dissemination package to Party A. Based on Party A’s demand and by incorporating information of both parties’ products and services and Party B’s media resources, Party B should develop and operate a customer-end product for Party A’s customer with information, service, sales and communication functions, and continue to improve such product as required by Party A.”	N/A — this article is deleted
Article 1. Content of Cooperation — Section 1.3.3	“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.”	N/A — This article is moved to Article 1.3.1	N/A — This article is moved to Article 1.3.1	N/A — this article is deleted
Article 1. Content of Cooperation — Section 1.3.4	“In support of Party A’s daily marketing endeavors, Party B shall provide news coverage	“In support of Party A’s daily marketing endeavors, Party B shall provide news coverage	“In support of Party A’s daily marketing endeavors, Party B shall provide media coverage	N/A — this article is deleted

and dissemination services for Party A through Phoenix Satellite TV (no 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).”

and dissemination services for Party A through Phoenix Satellite TV (no less than 32 times a year) and broadcast Party A’s selective Affairs Forum (no less than two periods).” This article is moved to Section 1.3.3

for Party A’s relevant activities through www.ifeng.com no less than 400 times a year and large special reports no less than five times a year.” This article is moved to Section 1.3.3

Article 1. Content of Cooperation — Section 1.3.5

“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. Party B shall ensure average daily website hits of over 4,000,000 times. Party B shall, after editing the wording, pictures or videos from the Affairs Forum and after obtaining speakers’ approval, broadcast such information on the GoTone VIP Current Affairs Forum channel. Party B shall also set up a service and sales section in the relatively important spot in the website for Party A to promote Party A’s service in the long term, and broadcast and

“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 and Text Link etc.). Party B shall ensure average daily website hits of over 5,500,000 times. Party B shall, after editing the wording, pictures or videos from the Affairs Forum and after obtaining speakers’ approval, broadcast such information on the GoTone VIP Current Affairs Forum channel. Party B shall also set up a service and sales section (10086.ifeng.com), promote Party A’s service in the relatively important spot in the website for Party A in the long term, broadcast and disseminate news coverage or videos of Party

N/A — this article is deleted

disseminate news coverage or videos of Party A.” As Section 1.3.4; Section 1.3.5 is deleted

A, and ensure average daily section hits of over 500,000.” As Section 1.3.4, Section 1.3.5 is deleted

Article 1. Content of Cooperation — Section 1.4.

“The term of cooperation between Party A and Party B shall commence on January 1, 2011 and end on December 31, 2011.”

“The term of cooperation between Party A and Party B shall commence on January 1, 2013 and end on December 31, 2013.”

“The term of cooperation between Party A and Party B shall commence on January 1, 2014 and end on December 31, 2014.”

N/A — this article is deleted

Article 2. Contract Price; Terms and Method of Payment — Section 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)...”

“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, 2013 through December 31, 2013. The total contract price hereof shall be Fifty-two Million Eight Hundred Thousand Renminbi (RMB52,800,000)...”

“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, 2014 through December 31, 2014. The total contract price hereof shall be Forty Million Renminbi (RMB40,000,000)...”

“The contract price hereof shall be the price for information purchased hereunder, which shall be calculated as follows: For the information products purchased during the cooperation period, Party A shall pay Party B a total contract price of RMB19,790,000.00, inclusive of 6% VAT of an amount of RMB1,120,188.68; and the contract price net of VAT shall be RMB18,669,811.32. Except as otherwise expressly provided herein, the foregoing price shall be a tax-inclusive price and shall

cover all of the Party B's costs in connection with its performance of this contract. Unless otherwise consented to in writing by Party A, Party A will not pay any additional amounts."

Material difference	Cooperation Agreement 2011	Cooperation Agreement 2013	Cooperation Agreement 2014	Cooperation Agreement 2015
Article 2. Contract Price; Terms and Method of Payment — Section 2.2	<p>"Payment hereunder shall be made by Party A through wire transfer as described below:</p> <p>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;</p> <p>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</p> <p>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."</p>	<p>"Payment hereunder shall be made by Party A through wire transfer as described below:</p> <p>In May 2013, Party B shall issue to Party A an official invoice in the amount of Ten Million Fifty Hundred and Sixty Thousand Renminbi (RMB10,560,000), while Party A shall pay such amount, if proved to be correct upon verification, to Party B within thirty (30) days of receiving such invoice;</p> <p>In September 2013, Party B shall issue to Party A an official invoice in the amount of Thirty-one Million Six Hundred and Eighty Thousand Renminbi (RMB31,680,000), while Party A shall pay such amount, if proved to be correct upon verification, to Party B within thirty (30) days of receiving such invoice; and</p> <p>Once the term of the cooperation ends and all of Party B's obligations are completed, Party B shall issue to Party A an official invoice in the amount of Ten Million Five Hundred and Sixty Thousand Renminbi (RMB10,560,000), while Party A shall pay such amount, if proved to be correct upon verification, to Party B within thirty (30) days of receiving such invoice."</p>	<p>"Payment hereunder shall be made by Party A through wire transfer based on the progress of cooperation:</p> <p>Upon the fulfillment of 50% of the multimedia message services, Party B shall issue to Party A an official invoice (one original and one photocopy of the VAT invoice) in the amount of Eight Million Renminbi (RMB8,000,000), while Party A shall pay such amount, if proved to be correct upon verification, to Party B within thirty (30) days of receiving such invoice;</p> <p>Upon the fulfillment of 80% of the multimedia message services, Party B shall issue to Party A an official invoice (one original and one photocopy of the VAT invoice) in the amount of a Twenty-four Million Renminbi (RMB24,000,000), while Party A shall pay such amount, if proved to be correct upon verification, to Party B within thirty (30) days of receiving such invoice; and</p> <p>Once the term of the cooperation ends and all of Party B's obligations are completed, Party B shall issue to Party A an official invoice (one original and one photocopy of the VAT invoice) in the amount of Eight Million Renminbi (RMB8,000,000), while Party A shall pay such amount, if proved to be correct upon verification, to Party B within thirty (30) days of receiving such invoice."</p>	<p>"Payment hereunder shall be made by Party A through wire transfer based on the progress of cooperation:</p> <p>Upon the fulfillment of 50% of the Mobile Newspaper services, Party B shall issue to Party A both an original copy and a duplicate copy of a VAT invoice specifying the contract number in an amount equal to 20% of the total contract price or RMB3,958,000.00. Party A shall pay such amount to Party B within thirty (30) days from its receiving and confirming the accuracy of said invoice;</p> <p>Upon the fulfillment of 80% of the Mobile Newspaper services, Party B shall issue to Party A both an original copy and a duplicate copy of the VAT invoice specifying the contract number in an amount equal to 40% of the total contract price or RMB7,916,000.00. Party A shall pay such amount to Party B within thirty (30) days from its receiving and confirming the accuracy of said invoice;</p> <p>Upon full completion of the cooperation and performance by Party B of all of its obligations hereunder, Party B shall issue to Party A both an original copy and a duplicate copy of the VAT invoice specifying the contract number in an amount equal to 40% of the total contract price or RMB7,916,000.00. Party A shall pay such amount to Party B within thirty (30) days from its receiving and confirming the accuracy of said invoice."</p>

Article 3. Party A's Rights and Obligations — Section 3.2	"During the period of cooperation between the Parties, Party A shall have the absolute discretion to conduct business operations in	"During the period of cooperation between the Parties, Party A shall have the absolute discretion to conduct business operations in	N/A — This article remains the same as Cooperation Agreement 2013.	"During the period of cooperation between the Parties, Party A shall have the right to manage the foregoing mobile newspapers
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	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.”	connection with the foregoing multimedia message products and the contents thereof, which business operations include but not limited to user credit exchange and mobile market subscription download.”		and their contents independently (including but not limited to the development of customer points redemption programs based on such mobile newspapers).”
Article 3. Party A’s Rights and Obligations — Section 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.”	N/A — This article remains the same as Cooperation Agreement 2011.	“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 organized, designed and used.”	N/A — this article is deleted
Article 4. Party B’s Rights and Obligations — Section 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.”	“Party B shall be responsible for the design, development, production, maintenance, and updates of the content of the ‘GoTone Phoenix Weekly’ and ‘GoTone Phoenix Observer’, and the foregoing multimedia message products shall contain contents that cover current affairs, finance, entertainments, sports, culture, science and technology, fashion, and military affairs.”	N/A — This article remains the same as Cooperation Agreement 2013.	“Party B shall be responsible for the conception, development, production, maintenance and update of the content of ‘GoTone Phoenix Monitor’ and ‘GoTone Phoenix Weekly’; said mobile newspapers shall include contents of various fields, such as current affairs, finance and economy, entertainment, sports, culture, science and technology, fashion, military.”

<u>Material difference</u>	<u>Cooperation Agreement 2011</u>	<u>Cooperation Agreement 2013</u>	<u>Cooperation Agreement 2014</u>	<u>Cooperation Agreement 2015</u>
Article 4. Party B’s Rights and Obligations — Section 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.”	“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 and its affiliated companies”.	N/A — This article remains the same as Cooperation Agreement 2013.	“Party B covenants that the foregoing mobile newspapers will be sold to Party A exclusively, for which products Party B will only provide content support; and that Party B will not sell, either on its own or in collaboration with any third party, such mobile newspapers to any person other than Party A and its affiliates.”
Article 8. Breach of Obligation — Section 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.”	“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, and bear all expenses thereof incurred.”	N/A — This article remains the same as Cooperation Agreement 2013.	“If any Party is in breach of the confidentiality provisions hereof, such Party shall pay to the non-breaching Party an amount equal to ten percent (10%) of the total contract price hereunder as liquidated damages, and shall bear any and all expenses incurred in connection with claims arising from such breach.”
Article 4. Party B’s Rights and Obligations — Section 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	“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 eight (8) hours.”	N/A — This article remains the same as Cooperation Agreement 2013.	N/A — this article is deleted

same within forty-eight (48) hours.”

Article 13. Exhibits	N/A	Exhibit 1. Licensed Trademark Exhibit 2. Trademark License Agreement, dated November 24, 2009, between Tianying Jiuzhou and Phoenix Satellite Television Trademark Limited Exhibit 3. Agreement of integrity and good faith.	Exhibit 1. Licensed Trademark Exhibit 2. Trademark License Agreement, dated November 24, 2009, between Tianying Jiuzhou and Phoenix Satellite Television Trademark Limited Exhibit 3. Agreement of integrity and good faith.	N/A — this article is deleted
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January 28, 2016

(1) PARTICLE INC.
as Borrower

(2) Particle (HK) Limited
as a Covenantor

(3) Beijing Particle Information Technology Co., Ltd.
(XXXXXXXXXXXXXXXXXX)
as a Covenantor

(4) Beijing Yidianwangju Technology Co., Ltd.
(XXXXXXXXXXXXXXXXXX)
as a Covenantor

and

(5) PHOENIX NEW MEDIA LIMITED
as Original Lender

LOAN AGREEMENT

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THIS AGREEMENT is dated January 28, 2016 and made between:

- (1) **PARTICLE INC.**, an exempted limited liability company organized under the laws of the Cayman Islands (the “**Borrower**”)
- (2) **PARTICLE (HK) LIMITED**, a company organized under the laws of the Hong Kong and a Subsidiary (as defined herein) of the Borrower (the “**HK Subsidiary**”);
- (3) **BEIJING PARTICLE INFORMATION TECHNOLOGY CO., LTD.** (北京粒子信息科技股份有限公司), a company incorporated under the laws of the PRC and a Subsidiary (as defined herein) of the Borrower (the “**PRC Subsidiary**”);
- (4) **BEIJING YIDIANWANGJU TECHNOLOGY CO., LTD.** (北京亿电网聚科技股份有限公司), a company incorporated under the laws of the PRC and a variable interest entity and Subsidiary (as defined herein) of the Borrower (the “**PRC VIE**”); and
- (5) **PHOENIX NEW MEDIA LIMITED**, an exempted limited liability company organized under the laws of the Cayman Islands (the “**Original Lender**”).

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Affiliate**” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“**Authorisation**” means:

- (a) an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, lodgement or registration; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Governmental Agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

“**Availability Period**” means the period from and including the Execution Date to and including January 27, 2017 (or any other date as agreed between the Parties in writing).

“**Available Facility**” means the undrawn, uncanceled balance of the Facility.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong, New York and the PRC.

“**Coercive Practice**” means impairing or harming or threatening to impair or harm, directly or indirectly, any party or its property or persons closely related to a party, to improperly influence the actions of that party.

“**Collusive Practice**” means an arrangement between two or more entities without the knowledge, but designed to improperly influence the actions, of another party.

“**Corrupt Practice**” means the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to improperly influence the actions of another party and in violation of the applicable law.

“**Covenantors**” means the HK Subsidiary, the PRC Subsidiary and the PRC VIE.

“**Default**” means an Event of Default or any event or circumstance specified in Clause 17 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**dispose**” means to make or to agree to make, and “**disposal**” means, any sale, assignment, exchange, transfer, concession, loan, lease, surrender, licence, direct or indirect reservation, waiver, compromise, release, dealing with or in or granting of any option, right of first refusal or any other right or interest whatsoever, or any agreement for any of the same.

“**Dollars**” or “**US\$**” means the lawful currency for the time being of the United States of America.

“**Event of Default**” means any event or circumstance specified as such in Clause 17 (*Events of Default*).

“**Execution Date**” means the date of this Agreement.

“**Existing Shareholders’ Agreement**” means any agreement between the Borrower and/or the Covenantors and the shareholders of the Borrower in relation to the Borrower in effect immediately prior to the Execution Date.

“**Facility**” means the term loan facility made available under this Agreement as described in Clause 2 (*The Facility*).

“**Facility Office**” means the office or offices notified by the Lender to the Borrower in writing on or before the Execution Date (or, following that date, by not less than five (5) Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.

“**Final Maturity Date**” means the date which falls twelve (12) Months from the relevant Utilisation Date, provided that if such day is not a Business Day, the Final Maturity Date shall be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

“**Finance Documents**” means collectively this Agreement, any Utilisation Request, any Transfer Certificate and any other document designated as such by the Lender and the Borrower, and “**Finance Document**” means any one of them.

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;

- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.

“**Financing of Terrorism**” means the act of providing or collecting funds with the intention that they be used, or in the knowledge that they are to be used, in order to carry out terrorist acts.

“**Fraudulent Practice**” means any action, including misrepresentation, to obtain a financial or other benefit or avoid an obligation, by deception.

“**Fund Raising**” means the fund raising works that the Lender or its associated companies carried out for the purposes of advancing the Facility to the Borrower under this Agreement.

“**GAAP**” means generally accepted accounting principles in the USA or PRC.

“**Governmental Agency**” means any government or any governmental agency, semi-governmental or judicial entity or authority (including any stock exchange or any self-regulatory organisation established under statute).

“**Group**” means the Borrower and its Subsidiaries for the time being.

“**Holding Company**” means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“**Indirect Tax**” means any goods and services tax, consumption tax, value added tax or any tax of a similar nature.

“**Legal Reservations**” means:

- (a) the principle that equitable remedies (or remedies that are similar to equitable remedies in any Relevant Jurisdiction) may be granted or refused at the discretion of a court, the limitation of enforcement by laws relating to insolvency, reorganisation, liquidation, bankruptcy, moratoria, administration, court schemes and other laws generally affecting the rights of creditors and similar principles, rights, defences and limitations under the laws of any applicable jurisdiction;
- (b) the time barring of claims under any applicable limitation laws, the possibility that a court may strike out provisions of a contract as being invalid for reasons of oppression, undue influence or similar reasons, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of stamp duty

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may be void, defences of set off or counterclaim and similar principles, rights, defences and limitations under the laws of any applicable jurisdiction; and

- (c) any other general principles, reservations or qualifications, in each case, as to matters of law in any legal opinion delivered under or in connection with the Finance Documents.

“**Lender**” means:

- (a) the Original Lender; and
- (b) any person which has become a New Lender in accordance with Clause 18 (*Changes to the Lender*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

“**Loan**” means the loan(s) made or to be made under the Facility or the aggregate principal amount outstanding for the time being of that loan.

“**Loan Period**” means the period from the Execution Date to the date upon which all monies owing and/or payable by the Borrower to the Lender under the Finance Documents are fully, unconditionally and irrevocably paid and the Available Facility has been reduced to zero.

“**Material Adverse Effect**” means a material adverse effect on:

- (a) the business, operations, property, or condition (financial or otherwise) of the Group taken as a whole;
- (b) the ability of the Borrower to perform its payment obligations under the Finance Documents; or
- (c) subject to the Legal Reservations, the validity or enforceability of any of the Finance Documents or the rights or remedies of the Lender under any of the Finance Documents.

“**Money Laundering**” means:

- (a) the conversion or transfer of property, knowing it is derived from a criminal offence, for the purpose of concealing or disguising its illegal origin or of assisting any person who is involved in the commission of the crime to evade the legal consequences of its actions;
- (b) the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of, property knowing that it is derived from a criminal offence; or
- (c) the acquisition, possession or use of property knowing at the time of its receipt that it is derived from a criminal offence.

“**Month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and

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- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

The above rules will apply only to the last Month of any period.

“**Obligors**” mean the Borrower and the Covenantors and “**Obligor**” means each one of them.

“**Original Financial Statements**” means, in relation to the Borrower, financial statements for its financial year ended December 31, 2015.

“**Party**” means a party to this Agreement.

“**PRC**” means the People’s Republic of China.

“**Security**” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“**Subsidiary**” means, in relation to any company or corporation, a company or corporation:

- (a) which is controlled, directly or indirectly, through equity ownership, contractual arrangements or otherwise, by the first mentioned company or corporation;
- (b) more than half the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or
- (c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Transfer Certificate**” means a certificate substantially in the form set out in Schedule 3 (*Form of Transfer Certificate*) or any other form agreed between the Lender and the Borrower.

“**Transfer Date**” means, in relation to an assignment or a transfer, the proposed Transfer Date specified in the Transfer Certificate or in any other document agreed between the relevant assignor and assignee.

“**Unpaid Sum**” means any sum due and payable but unpaid by an Obligor under the Finance Documents.

“**USA**” means the United States of America.

“**Utilisation**” means an utilisation of the Facility.

“**Utilisation Date**” means the date of an Utilisation, being the date on which the Loan is to be made, which shall not be later than the earlier of (i) the last day of the Availability Period and (ii) May 31, 2016.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 2 (*Requests*).

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
- (i) the “Borrower”, the “Lender”, any “Covenantor”, any “Obligor” or any “Party” shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) “assets” includes present and future properties, revenues and rights of every description;
 - (iii) a “Finance Document” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;
 - (iv) “including” shall be construed as “including without limitation” (and cognate expressions shall be construed similarly);
 - (v) “indebtedness” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (vi) a “person” includes any person, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality) or two or more of the foregoing;

- (vii) a “regulation” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (viii) a provision of law is a reference to that provision as amended or re-enacted;
 - (ix) words importing one gender shall include the other genders;
 - (x) words importing the singular shall include the plural and vice versa; and
 - (xi) a time of day is a reference to Hong Kong time.
- (b) Section, Clause and Schedule headings are for ease of reference only.
 - (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
 - (d) A Default or an Event of Default is “continuing” if it has not been remedied or waived.
 - (e) Where this Agreement specifies an amount in a given currency (the “specified currency”) “or its equivalent”, the “equivalent” is a reference to the amount of any other currency which, when converted into the specified currency utilising the Lender’s spot rate of exchange for the purchase of the specified currency with that

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other currency at or about 11 a.m. on the relevant date, is equal to the relevant amount in the specified currency.

1.3 Third party rights

A person who is not a Party has no right under the doctrine of privity of contract to enforce or to enjoy the benefit of any term of this Agreement. The provisions of the Contracts (Rights of Third Parties) Ordinance (Cap. 623) shall not apply to this Agreement and, unless specifically herein provided, no person other than the Parties to this Agreement shall have any rights under it nor shall it be enforceable by any person other than the Parties to it.

2. THE FACILITY

2.1 The Facility

Subject to the terms of this Agreement, the Lender shall make available to the Borrower a Dollar term loan facility in an aggregate amount of up to 10 million Dollars (US\$10,000,000).

2.2 Term of the Facility

The term of the Facility is from the relevant Utilisation Date to the Final Maturity Date.

3. PURPOSE

3.1 Purpose

The Borrower shall apply all amounts borrowed by it under the Facility for the Group’s working capital requirement arising from the Group’s ordinary course of business.

3.2 Monitoring

The Lender is not bound to monitor or verify the application of any amount borrowed pursuant to this Agreement, nor shall it be responsible for the consequences of Utilisation of the Loan.

4. CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

The Lender will be obliged to comply with Clause 5.4 (*Lender’s disbursement*) only if Lender has received all of the documents and other evidence listed on Schedule 1 (*Conditions precedent*) in form and substance reasonably satisfactory to the Lender (unless the requirement to provide any of such documents or other evidence is waived by the Lender). The Lender shall notify the Borrower promptly upon the Lender being so satisfied.

4.2 Further conditions precedent

The Lender will be obliged to comply with Clause 5.4 (*Lender’s disbursement*) only if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (a) no Default is continuing or would result from the proposed Loan;
- (b) all representations made by the Obligors under Clause 14 (*Representations*) are true and accurate; and

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(c) since the Execution Date, nothing has occurred which has or could reasonably be expected to have a Material Adverse Effect.

4.3 Maximum number of Loan

There is no maximum number of Loans that the Borrower may borrow under the Facility.

5. UTILISATION

5.1 Delivery of a Utilisation Request

The Borrower may utilise the Facility by delivering to the Lender a duly completed Utilisation Request and the Lender receives the Utilisation Request not later than 11 a.m. ten (10) Business Day before the proposed Utilisation Date, provided that the Borrower and the Lender shall agree on the Utilisation Date in advance.

5.2 Completion of a Utilisation Request

(a) The Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

- (A) the proposed Utilisation Date is a Business Day within the Availability Period; and
- (B) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*).

(b) Only one Loan may be requested in the Utilisation Request.

5.3 Currency and amount

(a) The currency specified in an Utilisation Request must be Dollars.

(b) The amount of the proposed Loan in an Utilisation Request shall be no more than the amount of the Available Facility.

5.4 Lender's disbursement

(a) If it is mutually agreed that the conditions set out in Clause 4 (*Conditions of Utilisation*) and Clause 5.1 (*Delivery of a Utilisation Request*) to Clause 5.3 (*Currency and amount*) above have been met, the Lender shall make the Loan available on the Utilisation Date through its Facility Office.

(b) The amount of such Loan shall be equal to the amount of the Utilisation set forth in the Utilisation Request.

5.5 Cancellation of unutilised Facility

At 5:00 p.m. in Hong Kong on the last day of the Availability Period, the Available Facility shall be automatically cancelled.

6. INTEREST

6.1 Calculation of interest

The rate of interest on the Loan shall be 4.35 percent (4.35%) per annum (the "**Interest Rate**"). Each Loan shall accrue interest on each date on which it is outstanding at the Interest Rate before its due date.

6.2 Payment of interest

The Borrower shall pay all accrued interest on the Final Maturity Date. For the avoidance of doubt, the amount of interest payable by the Borrower shall be based on the actual amount of the Loan disbursed by the Lender to the Borrower.

6.3 Default interest

(a) Without prejudice to any other remedies available to the Lender under this Agreement or otherwise (and to the maximum extent permitted by applicable law), if the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the Unpaid Sum from the due date to the date of actual payment (both before and after judgment) at a rate which, subject to sub-clause (b) below, shall be 0.02 per cent (0.02%) per day. Any interest accruing under this Clause 6.3 shall be immediately payable by the Borrower on demand by the Lender.

(b) Default interest (if unpaid) arising on an Unpaid Sum will be compounded with the Unpaid Sum at the end of each Month but will remain immediately due and payable.

7. REPAYMENT

7.1 Repayment of Loan

The Borrower shall repay the Loan and all outstanding amounts with respect to the Loan on the Final Maturity Date. For the avoidance of doubt, this obligation of the Borrower shall not be avoided or excused in any way, whether due to issues relating to (a) the legality of the Loan or the use of the Loan, (b) any conflict of interests or the relationship between the Lender and the Borrower and their respective Affiliates and related parties, (c) the violation or breach of any laws and regulations in relation to the Loan, or (d) any other issue otherwise in relation to the Loan and the Finance Documents.

8. PREPAYMENT AND CANCELLATION

8.1 Illegality and Mandatory Prepayment

If, at any time, it is or will become unlawful in any applicable jurisdiction for the Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan or it is or will become unlawful for the Lender to do so:

- (a) the Lender shall promptly notify the Borrower upon becoming aware of that event;
- (b) after the Lender notifying the Borrower, the Available Facility of the Lender will be immediately cancelled; and
- (c) the Borrower shall repay or pay the Lender on the date specified by the Lender (being no earlier than the last day of any applicable grace period permitted by law) the outstanding Loan together with the interest accrued up to the repayment or, as the case may be, payment date and all other amounts accrued under the Finance Documents.

8.2 Voluntary prepayment of Loan

The Borrower may, if it gives the Lender not less than five (5) Business Days' (or such shorter period as the Lender may agree) prior notice, prepay all or any portion of the Loan. When the Borrower makes the prepayment of the Loan, the Borrower shall also pay the interest accrued on the amount prepaid to the Lender at the same time.

8.3 Restrictions

- (a) Any notice of cancellation or mandatory prepayment given by the Lender under this Clause 8 shall specify the date or dates upon which the relevant cancellation or mandatory prepayment is to be made and the amount of that cancellation or mandatory prepayment.
- (b) The Borrower may not reborrow any part of the Facility which is prepaid.
- (c) The Borrower shall not repay or prepay all or any part of the Loan or cancel all or any part of the Available Facility except at the times and in the manner expressly provided for in this Agreement.
- (d) No amount of the Available Facility cancelled under this Agreement may be subsequently reinstated.

9. TAX GROSS UP AND INDEMNITIES

9.1 Definitions

- (a) In this Clause 9:
 - “**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.
 - “**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document.
 - “**Tax Payment**” means an increased payment made by an Obligor to the Lender under Clause 9.2 (*Tax gross-up*) or a payment under Clause 9.3 (*Tax indemnity*).
- (b) Unless a contrary indication appears, in this Clause 9 a reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination.

9.2 Tax gross-up

- (a) All payments to be made by an Obligor to the Lender under the Finance Documents shall be made free and clear of and without any Tax Deduction unless such Obligor is required to make a Tax Deduction, in which case the sum payable by such Obligor (in respect of which such Tax Deduction is required to be made) shall be increased to the extent necessary to ensure that the Lender receives a sum net of any deduction or withholding equal to the sum which it would have received had no such Tax Deduction been made or required to be made.
- (b) The Borrower shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Lender accordingly. Similarly, the Lender shall notify the Borrower on becoming so aware in respect of a payment payable to the Lender.
- (c) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (d) Within thirty (30) days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Lender entitled to the payment evidence reasonably

satisfactory to the Lender that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

9.3 Tax indemnity

- (a) Without prejudice to Clause 9.2 (*Tax gross-up*), if the Lender is required to make any payment of or on account of Tax on or in relation to any sum received or receivable under the Finance Documents (including any sum deemed for purposes of Tax to be received or receivable by the Lender whether or not actually received or receivable) or if any liability in respect of any such payment is asserted, imposed, levied or assessed against the Lender, the Borrower shall, within three (3) Business Days of demand of the Lender, promptly indemnify the Lender which suffers a loss or liability as a result against such payment or liability, together with any interest, penalties, costs and expenses payable or incurred in connection therewith, provided that this Clause 9.3 shall not apply to:
- (i) any Tax imposed on and calculated by reference to the net income actually received or receivable by the Lender (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by the Lender but not actually receivable) by the jurisdiction in which the Lender is incorporated; or
 - (ii) any Tax imposed on and calculated by reference to the net income of the Facility Office of the Lender actually received or receivable by the Lender (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by the Lender but not actually receivable) by the jurisdiction in which its Facility Office is located.
- (b) If the Lender intends to make a claim under sub-clause (a), it shall notify the Borrower of the event giving rise to the claim.

9.4 Tax credit

If an Obligor makes a Tax Payment and the Lender determines that:

- (a) a Tax Credit is attributable to that Tax Payment; and
- (b) the Lender has obtained, utilised and retained that Tax Credit,

the Lender shall pay an amount to the Obligor which the Lender determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Obligor.

9.5 Stamp taxes

The Borrower shall:

- (a) pay all stamp duty, registration and other similar Taxes payable in respect of any Finance Document, and
- (b) within three (3) Business Days of demand, indemnify the Lender against any cost, loss or liability that the Lender incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

9.6 Indirect tax

- (a) All consideration expressed to be payable under a Finance Document by any Obligor to the Lender shall be deemed to be exclusive of any Indirect Tax. If any Indirect Tax is chargeable on any supply made by the Lender to any Obligor in connection with a Finance Document, that Obligor shall pay to the Lender (in addition to and at the same time as paying the consideration) an amount equal to the amount of the Indirect Tax.
- (b) Where a Finance Document requires any Obligor to reimburse the Lender for any costs or expenses, that Obligor shall also at the same time pay and indemnify the Lender against all Indirect Tax incurred by the Lender in respect of the costs or expenses to the extent the Lender reasonably determines that it is not entitled to credit or repayment in respect of the Indirect Tax.

10. INCREASED COSTS

10.1 Increased costs

- (a) Subject to Clause 10.3 (*Exceptions*) the Borrower shall, within three (3) Business Days of a demand by the Lender, pay to the Lender the amount of any Increased Costs incurred by the Lender as a result of (A) any Fund Raising, (B) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation after the Execution Date and the compliance thereof.
- (b) In this Agreement “**Increased Costs**” means:
 - (i) a reduction in the rate of return from the Facility or on the Lender’s (or its Affiliate’s) overall capital (including as a result of any reduction in the rate of return on capital brought about by more capital being required to be allocated by the Lender);
 - (ii) an additional or increased cost as a result of, among others, any Fund Raising; or

(iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by the Lender or any of its Affiliates to the extent that it is attributable to the Lender having entered into or funding or performing its obligations under any Finance Document.

10.2 Increased cost claims

- (a) If the Lender intends to make a claim pursuant to Clause 10.1 (*Increased costs*), it shall notify the Borrower of the event giving rise to the claim.
- (b) The Lender shall, as soon as practicable after a demand by the Borrower, provide a certificate confirming the amount of its Increased Costs.

10.3 Exceptions

- (a) Clause 10.1 (*Increased costs*) does not apply to the extent any Increased Cost is:
 - (i) attributable to a Tax Deduction required by law to be made by an Obligor; or

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- (ii) compensated for by Clause 9.3 (*Tax indemnity*) (or would have been compensated for under Clause 9.3 (*Tax indemnity*) but was not so compensated solely because the exclusion in sub-clause (a) applied).

- (b) In this Clause 10.3, a reference to a “Tax Deduction” has the same meaning given to the term in Clause 9.1 (*Definitions*).

11. MITIGATION BY THE LENDER

11.1 Mitigation

- (a) The Lender shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 8.1 (*Illegality and Mandatory Prepayment*), Clause 9 (*Tax gross-up and indemnities*) or Clause 10 (*Increased costs*), including transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office in relation to any circumstances which arise following the Execution Date.
- (b) Sub-clause (a) above does not in any way limit the obligations of any Obligor under the Finance Documents.

11.2 Limitation of liability

- (a) The Borrower shall promptly indemnify the Lender for all costs and expenses incurred by the Lender as a result of steps taken by it under Clause 11.1 (*Mitigation*).
- (b) The Lender is not obliged to take any steps under Clause 11.1 (*Mitigation*) if, in the opinion of the Lender, to do so might be prejudicial to it.

11.3 Conduct of business by the Lender

No provision of this Agreement will:

- (a) interfere with the right of the Lender to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige the Lender to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige the Lender to disclose any information relating to its affairs (tax, foreign exchange or otherwise) or any computations in respect of Tax.

12. OTHER INDEMNITIES

12.1 Currency indemnity

- (a) If any sum due from an Obligor under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:
 - (i) making or filing a claim or proof against that Obligor; or
 - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

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the Obligor shall, as an independent obligation, within three (3) Business Days of demand, indemnify the Lender to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (i) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (ii) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

12.2 Other indemnities

The Borrower shall, within three (3) Business Days of demand, indemnify the Lender against any cost, loss or liability incurred by the Lender as a result of:

- (a) the occurrence of any Event of Default;
- (b) any information produced or approved by the Borrower being or being alleged to be misleading and/or deceptive in any respect;
- (c) any enquiry, investigation, subpoena (or similar order) or litigation with respect to any Obligor or with respect to the transactions contemplated or financed under any of the Finance Documents;
- (d) a failure by an Obligor to pay any amount due under a Finance Document on its due date or in the relevant currency;
- (e) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by the Lender alone);
- (f) a Loan (or part of a Loan) not being prepaid in accordance with a notice of mandatory prepayment given by the Lender;
- (g) investigating any event which it reasonably believes is a Default; or
- (h) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

13. COSTS, EXPENSES AND FEE

13.1 Fund Raising costs

The Borrower shall, within three (3) Business Days of demand, pay to the Lender the amount of all reasonable costs and expenses (including legal fees) incurred by the Lender in connection with any Fund Raising (which, for the avoidance of doubt, shall include but not limit to fees and charges of any bank or other financial institution with which the Lender enters into "foreign loan with domestic security" arrangement for the purpose of deploying funds offshore in order to advance the Facility to the Borrower).

13.2 Amendment costs

If an Obligor requests an amendment, waiver or consent, the Borrower shall, within three (3) Business Days of demand, reimburse the Lender for the amount of all costs and expenses (including legal fees) incurred by the Lender in responding to, evaluating, negotiating or complying with that request or requirement.

13.3 Legal fees and enforcement costs

The Borrower shall, within three (3) Business Days of demand, pay to the Lender the amount of all legal fees incurred by the Lender in connection with the preparation, negotiation and execution of the Finance Documents and the amount of all reasonable costs and expenses (including legal fees) incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

14. REPRESENTATIONS

The Obligors hereby, joint and severally, make the representations and warranties set out in this Clause 14 to the Lender.

14.1 Status

- (a) Each of the Obligors is a corporation, duly incorporated and validly existing and (where applicable) in good standing under the laws of its jurisdiction of incorporation.
- (b) Each of the Obligors and their Subsidiaries has the capacity and power to own its assets and carry on its business as it is being conducted.

14.2 Binding obligations

The obligations expressed to be assumed by each of the Obligors in each Finance Document are, subject to any general principles of law limiting its obligations including the Legal Reservations, legal, valid, binding and enforceable obligations.

14.3 Non-conflict with other obligations

The entry into and performance by each of the Obligors of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any law or regulation applicable to any of the Obligors;
- (b) the constitutional documents of any of the Obligors; or
- (c) any agreement or instrument binding upon any of the Obligors or any of its assets.

14.4 Power and authority

Each of the Obligors has the capacity, corporate power and authority to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

14.5 Validity and admissibility in evidence

Subject to the Legal Reservations, all Authorisations required or desirable:

- (a) to enable each of the Obligors lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party,
- (b) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation, and
- (c) for it to carry on its business,

have been obtained or effected and are in full force and effect.

14.6 Governing law and enforcement

- (a) The choice of law specified as the governing law of each Finance Document will, subject to the Legal Reservations, be recognised and enforced in the jurisdiction of incorporation of each of the Obligors.
- (b) Any monetary judgment or arbitration award obtained in Hong Kong in relation to a Finance Document will, subject to the Legal Reservations, be recognised and enforced in the jurisdiction of incorporation of each of the Obligors.

14.7 Deduction of Tax

It is not required under the law currently applicable where each of the Obligors is incorporated or at the address specified in this Agreement to make any deduction for or on account of Tax from any payment it may make under any Finance Document.

14.8 No filing or stamp taxes or announcement

Under the law of the jurisdiction of incorporation of each of the Obligors, it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents, or that any public announcement be made.

14.9 No default

- (a) NoEvent of Default is continuing or might reasonably be expected to result from the making of any Utilisation.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on any of the Obligors or to which any of the Obligors' assets are subject which would reasonably be expected to have a Material Adverse Effect.

14.10 No misleading information

All written information supplied by any of the Obligors or on its behalf is true, complete and accurate in all material respects as at the date it was given and is not misleading in any material respect.

14.11 Financial statements

- (a) The Original Financial Statements give a true and fair view of the financial condition and operations of the Group during the relevant financial year save to the extent expressly disclosed in such Original Financial Statements.
- (b) There has been no Material Adverse Effect since the date of the Original Financial Statements.

14.12 Paripassu ranking

14.13 No proceedings pending or threatened

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect, (to the best of the Obligors' knowledge and belief) have been started or threatened against any of the Obligors or any of their Subsidiaries.

14.14 Authorised Signatures

Any person specified as the authorised signatory of an Obligor under Schedule 1 (*Conditions precedent*), as such schedule may be updated, or Clause 15.1 (*Information: miscellaneous*) is authorised to sign Utilisation Requests (in the case of the Borrower only) and other notices on such Obligor's behalf.

14.15 No immunity

Each of the Obligors is generally subject to civil and commercial law and to set-off, suit, judgment and execution with respect to their respective obligations under this Agreement and neither the Obligors nor any of their assets has or is entitled to any immunity or privilege, whether characterised as sovereign immunity or otherwise from any set-off, suit, legal action, proceeding, judgment, execution, attachment or other legal process.

14.16 No omissions

None of the representations and warranties set out in Clauses 14.1 (*Status*) to 15.16 (*No immunity*) (both clauses included) omits any matter the omission of which makes any of such representation and warranty misleading.

14.17 Repetition

The representations set out in Clauses 14.1 (*Status*) to 15.17 (*No omissions*) (both clauses included) are deemed to be made by each Obligor by reference to the facts and circumstances then existing on the first day of each month during the Loan Period.

15. INFORMATION UNDERTAKINGS

The undertakings in this Clause 15 shall remain in force during the Loan Period.

15.1 Information: miscellaneous

Each Obligor shall deliver to the Lender:

- (a) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group or any Obligor which if adversely determined would reasonably be expected to have a Material Adverse Effect;
- (b) promptly, such further information regarding the financial condition, business and operations of any member of the Group or any Obligor as the Lender may reasonably request; and
- (c) promptly, notice of any change in authorised signatories of any Obligor signed by a director or company secretary of such Obligor accompanied by specimen signatures of any new authorised signatories.

15.2 Notification of default

- (a) Each Obligor shall notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
- (b) Promptly upon a request by the Lender if it believes (acting in good faith) that a Default may have occurred and is continuing, the Borrower shall deliver to the Lender a certificate signed by a director or authorised officer certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

16. GENERAL UNDERTAKINGS

The undertakings in this Clause 16 shall remain in force during the Loan Period.

16.1 Authorisations

Each Obligor shall promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and

(b) supply certified copies to the Lender of,

any Authorisation required to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

16.2 Compliance with laws

Each Obligor shall comply in all respects with all laws, regulations and listing rules to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents. Each Obligor shall ensure that the Loan and the use of the Loan is legal under all applicable laws.

16.3 Paripassu ranking

Each Obligor shall ensure that the payment obligations of the Obligors under the Finance Documents rank and continue to rank at least paripassu with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

16.4 Disposals

Each Obligor shall not, and shall procure each member of the Group not to, enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to dispose of any of their respective assets of value exceeding US\$2,500,000 (each as determined by the Lender as at the date of the disposal) without prior written consent from the Lender (which may be withheld or given with or without conditions in the Lender's sole discretion).

16.5 Merger

Each Obligor shall not, and shall procure each member of the Group not to, enter into any amalgamation, demerger, merger or corporate reconstruction without the prior written consent of the Lender.

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16.6 Redemption of shares

Each Obligor shall not, and shall procure each member of the Group not to, purchase or redeem any of its issued share capital or make a distribution of assets or other capital distribution to its shareholders without the prior written consent of the Lender.

16.7 Dividend distribution

Each Obligor shall not, and shall procure each member of the Group not to, declare or pay any dividend or make any other income distribution to its shareholders without the prior written consent of the Lender.

16.8 Change of business

Each Obligor shall not, and shall procure each member of the Group not to, make any substantial change to the general nature of their respective business from that carried on at the Execution Date without the prior written consent of the Lender.

16.9 Acquisitions

Each Obligor shall not, and shall procure each member of the Group not to, acquire any company, business, assets or undertaking or make any investment without the prior written consent of the Lender.

16.10 Loans and Guarantees

Without the prior written consent of the Lender, each Obligor shall not, and shall procure each member of the Group not to, make any loans, grant any credit (save in the ordinary course of business) or give any guarantee or indemnity (except as required under any of the Finance Documents) to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any person, save and except where such making of loans and giving of guarantees or indemnities are in the ordinary course of business of the relevant member of the Group.

16.11 Use of Proceeds

The Borrower shall not use any proceeds of the Loan for any purpose other than that set forth in Clause 3.1 (*Purpose*).

16.12 Fundamental changes

Without the prior written consent of the Lender, each Obligor shall not, and shall procure each member of the Group not to, change:

- (a) its constitutional documents in any manner which would be inconsistent with the provisions of any Finance Document; or
- (b) its financial year.

16.13 Amendments, waivers, etc. of material agreements

16.14 Borrowing or raising of credit

Each Obligor shall not, and shall procure each member of the Group not to, borrow or raise credit or Financial Indebtedness or incur any other indebtedness or permit to subsist any financial facilities with any bank, financial institution or other party without prior written consent of the Lender, except from the Lender pursuant to this Agreement, save and except where such borrowing and raising of credit are in the ordinary course of business of the relevant member of the Group, in which event the Borrower shall give a prior written notification of such proposed borrowing and raising of credit to the Lender.

16.15 Negative pledge

- (a) Each Obligor shall not, and shall procure each member of the Group not to, create or permit to subsist any Security over any of the Group's assets to secure any Financial Indebtedness of the Obligors or any Subsidiary thereof (or any guarantees or indemnity in respect thereof) without, in any such case, making effective provision whereby the Loan and the obligations under the Finance Documents will be secured either at least equally and ratably with such Financial Indebtedness or by such other Security as shall have been approved by the Lender, for so long as such Financial Indebtedness will be so secured.
- (b) Paragraph (a) above does not apply to any Security listed below:
- (i) any Security arising or already arisen automatically by operation of law, or for taxes, assessments or governmental charges which is promptly discharged or disputed in good faith by appropriate proceedings;
 - (ii) any Security existing on any property or asset prior to the acquisition thereof by an Obligor or any Subsidiary thereof arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;
 - (iii) any cash management, netting or set-off arrangement or combination of accounts arising in favour of any bank or financial institution as a result of the day-to-day operation of banking arrangements;
 - (iv) any Security arising under any retention of title, title transfer, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to any Obligor or any Subsidiary thereof in the ordinary course of business; and
 - (v) any easement, right-of-way, zoning and similar restriction and other similar charge or encumbrance not interfering with the ordinary course of business of an Obligor or any of its Subsidiaries.

17. EVENTS OF DEFAULT

Each of the events or circumstances set out in the following sub-clauses of this Clause 17 (other than 18.14 (*Acceleration*)) is an Event of Default.

17.1 Non-payment

The Borrower does not pay on the due date any amount payable pursuant to a Finance Document at the place and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by administrative or technical error, the Lender, or the force majeure; and
- (b) payment is made within three (3) Business Days of its due date.

17.2 Other obligations

- (a) An Obligor does not comply with any provision of the Finance Documents (other than those referred to in Clause 17.1 (*Non-payment*)).
- (b) No Event of Default under sub-clause (a) above will occur if the failure to comply is capable of remedy, and is remedied within ten (10) Business Days of the earlier of the Lender giving notice to the Borrower or any Obligor becoming aware of the failure to comply.
- (c) If the Borrower fails to repay the Loan and all outstanding amounts with respect to the Loan on the Final Maturity Date, then without prejudice to any of the rights of the Lender under this Agreement and its exercise of such rights, the Parties shall enter into amicable negotiations with each other in good faith with a view to resolving the matter.

17.3 Misrepresentation

- (a) Any representation or statement made or deemed to be made by an Obligor in the Finance Documents or any other document delivered by or on behalf of any Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made by reference to the facts and circumstances then existing.
- (b) No Event of Default will occur under paragraph (a) above if the misrepresentation is capable of remedy and is remedied within ten (10) days of the earlier of (i) the Lender giving notice to the Borrower of such misrepresentation and (ii) any Obligor becoming aware of

the misrepresentation.

17.4 Cross default

- (a) Any Financial Indebtedness of any member of the Group or any Obligor is not paid when due nor within any originally applicable grace period.
- (b) Any Financial Indebtedness of any member of the Group or any Obligor is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) No Event of Default will occur under this Clause 17.4 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within sub-clause (a) to (b) (inclusive) above is less than US\$500,000 (or its equivalent in any other currency or currencies).

17.5 Insolvency

- (a) Any member of the Group or any Obligor is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (b) A moratorium is declared in respect of any indebtedness of any member of the Group or any Obligor.

17.6 Insolvency proceedings

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

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- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, provisional supervision or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Obligor or any member of the Group other than a solvent liquidation or reorganisation of any member of the Group which is not an Obligor;
- (b) a composition or arrangement with any creditor of any Obligor or any member of the Group, or an assignment for the benefit of creditors generally of any Obligor or any member of the Group or a class of such creditors;
- (c) the appointment of a liquidator (other than in respect of a solvent liquidation of a member of the Group which is not an Obligor), receiver, administrator, administrative receiver, compulsory manager, provisional supervisor or other similar officer in respect of any Obligor or any member of the Group or any of its assets;
- (d) enforcement of any Security over any assets of any Obligor or any member of the Group; or
- (e) any analogous procedure or step is taken in any jurisdiction.

17.7 Creditors' process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a member of the Group or any Obligor and is not discharged, stayed or dismissed within thirty (30) days from the date of the relevant order.

17.8 Unlawfulness

It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents.

17.9 Repudiation

An Obligor repudiates a Finance Document or evidences an intention to repudiate a Finance Document.

17.10 Moratorium on External Indebtedness

The government of the PRC, USA or Hong Kong, central bank (or equivalent) of the PRC, USA or Hong Kong or any Governmental Agency of the PRC, USA or Hong Kong declares a moratorium, standstill or similar suspension of payments in respect of its external indebtedness.

17.11 Cessation of business

Any Obligor suspends or ceases to carry on all or a material part of its business or of the business of the Group taken as a whole.

17.12 Money Laundering, Anti-corruption, financing of Terrorism

- (a) Any Obligor engages in Corrupt Practices, Fraudulent Practices, Collusive Practices or Coercive Practices, including in connection with the procurement or execution of any contract for goods or services.
- (b) Any Obligor engages in Money Laundering or acts in breach of any law relating to Money Laundering.

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- (c) Any Obligor engages in the Financing of Terrorism.

17.13 Material Adverse Effect

Any other event or series of events occurs which has or could reasonably be expected to have a Material Adverse Effect.

17.14 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Lender may by notice to the Borrower:

- (a) cancel the Available Facility whereupon it shall immediately be cancelled;
- (b) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (c) declare that all or part of the Loan be payable on demand, whereupon they shall immediately become payable on demand by the Lender.

18. CHANGES TO THE LENDER

18.1 Assignments and transfers by the Lender

- (a) Subject to this Clause 18, a Lender (the “Existing Lender”) may:

- (i) assign any of its rights; or
- (ii) transfer by novation any of its rights and obligations,

under the Finance Documents to any bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets or to any other person (the “New Lender”).

- (b) The consent of the Borrower shall be required for any assignment or transfer pursuant to paragraph (a) above, in each case, unless the relevant assignment or transfer is (i) to an Affiliate of the Lender or (ii) made at a time when an Event of Default is occurring. The consent of the Borrower to a transfer or assignment must not be unreasonably withheld or delayed. The Borrower will be deemed to have given its consent five (5) Business Days after the Existing Lender has requested it unless consent is expressly refused by the Borrower within that time.
- (c) An assignment will be effective only on receipt by the Existing Lender of written confirmation from the New Lender that the New Lender will assume the same obligations as it would have been under if it was the Existing Lender.
- (d) A transfer will be effective only if the procedure set out in Clause 18.3 (*Procedure for transfer*) is complied with.

18.2 Limitation of responsibility of Existing Lender

- (a) Unless expressly agreed to the contrary, the Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

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- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
 - (ii) the financial condition of any Obligor;
 - (iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

- (b) Each New Lender confirms to the Existing Lender that it:
 - (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents.
- (c) Nothing in any Finance Document obliges the Existing Lender to:
 - (i) accept a re-transfer from a New Lender of any of the rights and obligations assigned or transferred under this Clause 18; or

(ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

(d) In relation to any assignment or transfer by the Existing Lender under this Clause 18, the relevant New Lender agrees to be bound by any consent, waiver or decision given or made by the Existing Lender in connection with the Finance Documents prior to such assignment or transfer.

18.3 Procedure for transfer

(a) Subject to the conditions set out in sub-clauses (c) and (d), a transfer is effected in accordance with sub-clause (b) below when the Existing Lender and the New Lender execute a duly completed Transfer Certificate or any other form of document agreed between them.

(b) On the Transfer Date:

(i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents each of the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another shall be cancelled (being the “**Discharged Rights and Obligations**”);

(ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that

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Obligor and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;

(iii) the New Lender shall acquire the same rights and assume the same obligations as it would have acquired and assumed had the New Lender been the Existing Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Existing Lender shall be released from further obligations under this Agreement; and

(iv) the New Lender shall become a Party as a “Lender”.

18.4 Copy of Transfer Certificate to Borrower

The Lender shall, as soon as reasonably practicable after it has executed a Transfer Certificate, send to the Borrower a copy of that Transfer Certificate.

18.5 Existing consents and waivers

A New Lender shall be bound by any consent, waiver, election or decision given or made by the relevant Existing Lender under or pursuant to any Finance Document prior to the coming into effect of the relevant assignment or transfer to such New Lender.

18.6 Exclusion of liability

In relation to any assignment or transfer pursuant to this Clause 18, the Borrower acknowledges and agrees that the Lender shall not be obliged to enquire as to the accuracy of any representation or warranty made by a New Lender in respect of its eligibility as a Lender.

19. CHANGES TO THE OBLIGORS

An Obligor may not assign or transfer any of its rights or obligations under any Finance Document, except with the prior written consent of the Lender.

20. DISCLOSURE OF INFORMATION

The Lender may disclose to:

(A) any of its Affiliates;

(B) its head office, its other branch, and its associated companies;

(C) any of its professional advisers and other persons providing services to it;

(D) any Obligor;

(E) any person permitted by any Obligor;

(F) any person to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation or rules of any securities exchange on which any security of the Lender or any of its Affiliates is listed; and

(G) any other person:

(a) to (or through) whom the Lender assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement;

- (b) with (or through) whom the Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or any Obligor;
- (c) appointed by a person to whom paragraph (G)(a) or (G)(b) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf;
- (d) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (G)(a) or (G)(b) above;
- (e) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;
- (f) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes; or
- (g) with the consent of the Obligors,

any information about any Obligor, the Group and the Finance Documents as the Lender shall consider appropriate; provided that in relation to disclosure pursuant to paragraphs (A), (B), (C), (F) or (G) above, if such information is confidential, the person to whom the confidential information is to be given is informed of its confidential nature and that some or all of such confidential information may be price-sensitive information; and further provided that, notwithstanding any other provision herein, the Lender and its Affiliates shall be entitled to, through public announcements, filings, press release or otherwise, publicly disclose any such information as required by any applicable law or regulation or rules of any securities exchange on which any security of the Lender or any of its Affiliates is listed. This Clause supersedes any previous agreement relating to the confidentiality of such information.

21. PAYMENT MECHANICS

21.1 Payments to the Lender

- (a) On each date on which an Obligor is required to make a payment under a Finance Document, that Obligor shall make the same available to the Lender (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Lender as being customary at the time for settlement of transactions in the relevant currency in the place of payment. If no such time is specified, payment must be made no later than 11:00 a.m. Hong Kong time on such due date.
- (b) Payment shall be made to the account as notified by the Lender to the Borrower from time to time.

21.2 Partial payments

- (a) If the Lender receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents, the Lender shall apply that payment towards the obligations of that Obligor under the Finance Documents in the following order:

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- (A) first, in or towards payment of any unpaid fees, costs and expenses of the Lender under the Finance Documents;
- (B) secondly, in or towards payment of any accrued interest, fee (other than as provided in paragraph (A) above) or commission due but unpaid under this Agreement;
- (C) thirdly, in or towards payment of any principal due but unpaid under this Agreement; and
- (D) fourthly, in or towards payment of any other sum due but unpaid under the Finance Documents.
- (b) The Lender may vary the order set out in paragraphs (B) to (D) of sub-clause (a) above.
- (c) Sub-clauses (a) and (b) above will override any appropriation made by an Obligor.

21.3 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under sub-clause (a) above, interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

22. SET-OFF

- (a) All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.
- (b) The Lender may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by the Lender) against any matured obligation owed by the Lender to that Obligor, regardless of the place of payment or currency of either obligation. If the obligations are in different currencies, the Lender may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

23. NOTICES

23.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

23.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of any of the Obligors:

Address: 7th Floor, Building D, Tsinghua Tongfang Hi-Tech Plaza, Haidian District, Beijing, China

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Fax: +86-10-8280 0540
Attention: Mr. ZHENG Zhaohui(郑兆辉)

- (b) in the case of the Original Lender:

Address: 11th Floor, Zhongqing Building, No.4Qiyang Road, Wangjing, Beijing, China
Fax: +86-10-6067 6889
Attention: Mr. LI Ya (李亚)

or any substitute address, fax number or department or officer as the Party may notify to the other Party by not less than five (5) Business Days' notice.

23.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will be effective:

- (i) if by way of fax, only when received in legible form; or
- (ii) if by way of letter, only when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;

and, if a particular department or officer is specified as part of its address details provided under Clause 23.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document made or delivered to the Borrower in accordance with this Clause will be deemed to have been made or delivered to the other Obligors.
- (c) Any communication or document which becomes effective, in accordance with sub-clauses (a) to (b) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

23.4 Electronic communication

- (a) Any communication to be made between any two Parties under or in connection with the Finance Documents may be made by electronic mail or other electronic means to the extent that those two Parties agree that, unless and until notified to the contrary, this is to be an accepted form of communication; and if those two Parties:

- (i) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
- (ii) notify each other of any change to their address or any other such information supplied by them by not less than five (5) Business Days' notice.

- (b) Any electronic communication made between those two Parties will be effective only when actually received in readable form and in the case of any electronic communication made by a Party to the Lender only if it is addressed in such a manner as the Lender shall specify for this purpose.

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(c) Any electronic communication which becomes effective, in accordance with paragraph (b) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

24. CALCULATIONS AND CERTIFICATES

24.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by the Lender are prima facie evidence of the matters to which they relate.

24.2 Certificates and Determinations

Any certification or determination by the Lender of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

24.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days.

25. PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

26. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under the Finance Documents shall operate as a waiver of any such right or remedy or constitute an election to affirm any of the Finance Documents. No election to affirm any of the Finance Documents on the part of the Lender shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

27. AMENDMENTS AND WAIVERS

Any term of the Finance Documents may be amended or waived only with the consent of the Lender and the Obligors and any such amendment or waiver will be binding on all Parties.

28. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

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29. GOVERNING LAW

This Agreement, and all non-contractual obligations arising from or in connection with this Agreement, are governed by, and construed exclusively in accordance with, the laws of Hong Kong.

30. DISPUTE RESOLUTION

All disputes and controversies arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) shall be referred to and finally settled by arbitration at the Hong Kong International Arbitration Centre in accordance with the UNCITRAL Arbitration Rules (the “**UNCITRAL Rules**”) in effect, which rules are deemed to be incorporated by reference into this Clause 30. The arbitration tribunal shall consist of three arbitrators to be appointed according to the UNCITRAL Rules. The language of the arbitration shall be English.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

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SIGNATURE PAGE

For execution by the Borrower

SIGNED and DELIVERED by

)

for and on behalf of
PARTICLE INC.

)
)
) /s/ 赵晖 ZHAOHUI ZHENG

DIRECTOR / AUTHORISED SIGNATORY

For execution by the Covenantors

SIGNED and DELIVERED by

)
)
)
) /s/ 赵晖 ZHAOHUI ZHENG

for and on behalf of
PARTICLE (HK) LIMITED

DIRECTOR / AUTHORISED SIGNATORY

SIGNED and DELIVERED by

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)
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)
)
) /s/ 赵晖 ZHAOHUI ZHENG

for and on behalf of
**BEIJING PARTICLE INFORMATION
TECHNOLOGY CO., LTD.**
(北京粒子信息有限公司)

GENERAL MANAGER / AUTHORISED SIGNATORY

SIGNED and DELIVERED by

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)
)
)
)
) /s/ 赵晖 ZHAOHUI ZHENG

for and on behalf of
**BEIJING YIDIANWANGJU
TECHNOLOGY CO., LTD.**
(北京易电网聚技术有限公司)

DIRECTOR / AUTHORISED SIGNATORY

SIGNATURE PAGE

For execution by the Lender

SIGNED and DELIVERED by

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)
)
) /s/ 亚力 YA LI

for and on behalf of
PHOENIX NEW MEDIA LIMITED

DIRECTOR / AUTHORISED SIGNATORY

**SCHEDULE 1
CONDITIONS PRECEDENT**

1. Authorisation Documents of the Borrower

- 1.1 Certified copies of the constitutional documents (including the certificate of incorporation, the updated version of the memorandum and articles of association, a certificate of incumbency and a certificate of good standing issued by the Registrar of Companies) of the Borrower.
- 1.2 Certified copies of resolutions of the board of directors of the Borrower:
 - (a) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party;
 - (b) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
 - (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
- 1.3 Director's certificate from the Borrower:

- (a) confirming that borrowing or securing, as appropriate, the Loan under this Agreement would not cause any borrowing, guaranteeing or similar limit binding on it to be exceeded;
 - (b) containing specimen of the signature of each person authorised by the resolution referred to in sub-clause 1.2(b) above; and
 - (c) certifying that each copy document relating to it specified in this Schedule 1 is correct, complete and in full force and effect as at a date no earlier than the Execution Date.
- 1.4 Certified copies of written consent of (i) holders of no less than 70% of the outstanding Preferred Shares of the Borrower (voting as a separate class), (ii) holders of no less than 70% of the outstanding Series B Shares of the Borrower (voting as a separate class), and (iii) holders of no less than 70% of the outstanding Class C Shares of the Borrower (voting as a separate class) approving the terms of, and the transactions contemplated by, the Finance Documents.

2. **Authorisation Documents of the Covenantors**

- 2.1 Certified copies of the constitutional documents (including the certificate of incorporation and the updated version of the articles of association) of each of the Covenantors.
- 2.2 Certified copies of resolutions of the board of directors of each of the Covenantors:
- (a) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party;
 - (b) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
-

- (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
- 2.3 Director's certificate or legal representative's certificate from each of the Covenantors:
- (a) confirming that assuming obligations under this Agreement would not cause any borrowing, guaranteeing or similar limit binding on it to be exceeded;
 - (b) containing specimen of the signature of each person authorised by the resolution referred to in sub-clause 2.2(b) above; and
 - (c) certifying that each copy document relating to it specified in this Schedule 1 is correct, complete and in full force and effect as at a date no earlier than the Execution Date

3. **Other documents and evidence**

- 3.1 The Original Financial Statements of the Borrower.
- 3.2 A copy of any other Authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
- 3.3 Satisfactory completion of any other document(s) which the Lender may reasonably require.
-

**SCHEDULE 2
FORM OF UTILISATION REQUEST**

Utilisation Request

From: Particle Inc.

To: Phoenix New Media Limited

Date:

Dear Sirs

Loan Agreement dated [] 2016 between, among others, Particle Inc. as borrower and Phoenix New Media Limited as lender (the "Loan Agreement")

1. We refer to the Loan Agreement. This is an Utilisation Request. Terms defined in the Loan Agreement shall have the same meaning in this Utilisation Request.
2. We wish to borrow a Loan on the following terms:

Proposed Utilisation Date: [] (or, if that is not a Business Day, the next Business Day)
Amount: US\$[]

3. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.
4. The proceeds of this Loan should be credited to the following account:
Name of Bank: _____
Account Number: _____
Address of Bank: _____
5. This Utilisation Request is irrevocable.

Yours faithfully

authorised signatory for
Particle Inc.

SCHEDULE 3 FORM OF TRANSFER CERTIFICATE

To: Particle Inc.
From: [The Existing Lender] (the “**Existing Lender**”) and [The New Lender] (the “**New Lender**”)
Dated:

Loan Agreement dated [] 2016 between, among others, Particle Inc. as borrower and Phoenix New Media Limited as lender (the “Loan Agreement”)

1. We refer to the Loan Agreement. This is a Transfer Certificate. Terms used in the Loan Agreement shall have the same meaning in this Transfer Certificate.
2. We refer to Clause 18.3 (*Procedure for transfer*):
 - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender’s rights and obligations referred to in the Schedule in accordance with Clause 18.3 (*Procedure for transfer*).
 - (b) The proposed Transfer Date is [].
 - (c) The facility office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 23.2 (*Addresses*) are set out in the Schedule.
3. The New Lender expressly acknowledges
 - (a) the limitations on the Existing Lender’s obligations set out in sub-clauses (a) and (c) of Clause 18.2 (*Limitation of responsibility of Existing Lenders*), and
 - (b) that it is the responsibility of the New Lender to ascertain whether any document is required or any formality or other condition requires to be satisfied to effect or perfect the transfer contemplated by this Transfer Certificate or otherwise to enable the New Lender to enjoy the full benefit of each Finance Document.
4. The New Lender confirms that it is a “New Lender” within the meaning of Clause 18.1 (*Assignments and transfers by the Lenders*).
5. The Existing Lender and the New Lender confirm that the New Lender is not an Obligor or an Affiliate of an Obligor.
6. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
7. This Transfer Certificate, and all non-contractual obligations arising from or in connection with this Transfer Certificate, are governed by, and construed exclusively in accordance with, the laws of Hong Kong.
8. This Transfer Certificate has been entered into on the date stated at the beginning of this Transfer Certificate.

THE SCHEDULE Rights and Obligations to be Transferred

Transfer Details:

Nature: [insert description of facility(ies) transferred]
Final Maturity: []

Participation Transferred

Drawn Amount: []
Undrawn Amount: []

Administration Details:

New Lender's Receiving Account: []
Address: []
Telephone: []
Facsimile: []
Attn/Ref: []

[Existing Lender] [New Lender]
By: By:

April 5, 2016

(1) **PARTICLE INC.**
as Borrower

(2) **Particle (HK) Limited**
as a Covenantor

(3) **Beijing Particle Information Technology Co., Ltd.**
(□□□□□□□□□□□□)
as a Covenantor

(4) **Beijing Yidianwangju Technology Co., Ltd.**
(□□□□□□□□□□□□)
as a Covenantor

and

(5) **PHOENIX NEW MEDIA LIMITED**
as Original Lender

LOAN AGREEMENT

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THIS AGREEMENT is dated April 5, 2016 and made between:

(1) **PARTICLE INC.**, an exempted limited liability company organized under the laws of the Cayman Islands (the “**Borrower**”)

- (2) **PARTICLE (HK) LIMITED**, a company organized under the laws of the Hong Kong and a Subsidiary (as defined herein) of the Borrower (the “**HK Subsidiary**”);
- (3) **BEIJING PARTICLE INFORMATION TECHNOLOGY CO., LTD.** (北京粒子信息科技股份有限公司), a company incorporated under the laws of the PRC and a Subsidiary (as defined herein) of the Borrower (the “**PRC Subsidiary**”);
- (4) **BEIJING YIDIANWANGJU TECHNOLOGY CO., LTD.** (北京亿电网聚科技有限公司), a company incorporated under the laws of the PRC and a variable interest entity and Subsidiary (as defined herein) of the Borrower (the “**PRC VIE**”); and
- (5) **PHOENIX NEW MEDIA LIMITED**, an exempted limited liability company organized under the laws of the Cayman Islands (the “**Original Lender**”).

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Affiliate**” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“**Authorisation**” means:

- (a) an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, lodgement or registration; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Governmental Agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

“**Availability Period**” means the period from and including the Execution Date to and including April 4, 2017 (or any other date as agreed between the Parties in writing).

“**Available Facility**” means the undrawn, uncanceled balance of the Facility.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong, New York and the PRC.

“**Coercive Practice**” means impairing or harming or threatening to impair or harm, directly or indirectly, any party or its property or persons closely related to a party, to improperly influence the actions of that party.

“**Collusive Practice**” means an arrangement between two or more entities without the knowledge, but designed to improperly influence the actions, of another party.

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“**Corrupt Practice**” means the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to improperly influence the actions of another party and in violation of the applicable law.

“**Covenantors**” means the HK Subsidiary, the PRC Subsidiary and the PRC VIE.

“**Default**” means an Event of Default or any event or circumstance specified in Clause 17 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**dispose**” means to make or to agree to make, and “**disposal**” means, any sale, assignment, exchange, transfer, concession, loan, lease, surrender, licence, direct or indirect reservation, waiver, compromise, release, dealing with or in or granting of any option, right of first refusal or any other right or interest whatsoever, or any agreement for any of the same.

“**Dollars**” or “**US\$**” means the lawful currency for the time being of the United States of America.

“**Event of Default**” means any event or circumstance specified as such in Clause 17 (*Events of Default*).

“**Execution Date**” means the date of this Agreement.

“**Existing Shareholders’ Agreement**” means any agreement between the Borrower and/or the Covenantors and the shareholders of the Borrower in relation to the Borrower in effect immediately prior to the Execution Date.

“**Facility**” means the term loan facility made available under this Agreement as described in Clause 2 (*The Facility*).

“**Facility Office**” means the office or offices notified by the Lender to the Borrower in writing on or before the Execution Date (or, following that date, by not less than five (5) Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.

“**Final Maturity Date**” means the date which falls twelve (12) Months from the relevant Utilisation Date, provided that if such day is not a Business Day, the Final Maturity Date shall be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

“**Finance Documents**” means collectively this Agreement, any Utilisation Request, any Transfer Certificate and any other document designated as such by the Lender and the Borrower, and “**Finance Document**” means any one of them.

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;

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- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.

“**Financing of Terrorism**” means the act of providing or collecting funds with the intention that they be used, or in the knowledge that they are to be used, in order to carry out terrorist acts.

“**Fraudulent Practice**” means any action, including misrepresentation, to obtain a financial or other benefit or avoid an obligation, by deception.

“**Fund Raising**” means the fund raising works that the Lender or its associated companies carried out for the purposes of advancing the Facility to the Borrower under this Agreement.

“**GAAP**” means generally accepted accounting principles in the USA or PRC.

“**Governmental Agency**” means any government or any governmental agency, semi-governmental or judicial entity or authority (including any stock exchange or any self-regulatory organisation established under statute).

“**Group**” means the Borrower and its Subsidiaries for the time being.

“**Holding Company**” means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“**Indirect Tax**” means any goods and services tax, consumption tax, value added tax or any tax of a similar nature.

“**Legal Reservations**” means:

- (a) the principle that equitable remedies (or remedies that are similar to equitable remedies in any Relevant Jurisdiction) may be granted or refused at the discretion of a court, the limitation of enforcement by laws relating to insolvency, reorganisation, liquidation, bankruptcy, moratoria, administration, court schemes and other laws generally affecting the rights of creditors and similar principles, rights, defences and limitations under the laws of any applicable jurisdiction;
- (b) the time barring of claims under any applicable limitation laws, the possibility that a court may strike out provisions of a contract as being invalid for reasons of oppression, undue influence or similar reasons, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of stamp duty

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may be void, defences of set off or counterclaim and similar principles, rights, defences and limitations under the laws of any applicable jurisdiction; and

- (c) any other general principles, reservations or qualifications, in each case, as to matters of law in any legal opinion delivered under or in connection with the Finance Documents.

“**Lender**” means:

- (a) the Original Lender; and
- (b) any person which has become a New Lender in accordance with Clause 18 (*Changes to the Lender*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

“**Loan**” means the loan(s) made or to be made under the Facility or the aggregate principal amount outstanding for the time being of that loan.

“**Loan Period**” means the period from the Execution Date to the date upon which all monies owing and/or payable by the Borrower to the Lender under the Finance Documents are fully, unconditionally and irrevocably paid and the Available Facility has been reduced to zero.

“**Material Adverse Effect**” means a material adverse effect on:

- (a) the business, operations, property, or condition (financial or otherwise) of the Group taken as a whole;
- (b) the ability of the Borrower to perform its payment obligations under the Finance Documents; or
- (c) subject to the Legal Reservations, the validity or enforceability of any of the Finance Documents or the rights or remedies of the Lender under any of the Finance Documents.

“**Money Laundering**” means:

- (a) the conversion or transfer of property, knowing it is derived from a criminal offence, for the purpose of concealing or disguising its illegal origin or of assisting any person who is involved in the commission of the crime to evade the legal consequences of its actions;
- (b) the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of, property knowing that it is derived from a criminal offence; or
- (c) the acquisition, possession or use of property knowing at the time of its receipt that it is derived from a criminal offence.

“**Month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and

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- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

The above rules will apply only to the last Month of any period.

“**Obligors**” mean the Borrower and the Covenantors and “**Obligor**” means each one of them.

“**Original Financial Statements**” means, in relation to the Borrower, financial statements for its financial year ended December 31, 2015.

“**Party**” means a party to this Agreement.

“**PRC**” means the People’s Republic of China.

“**Security**” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“**Subsidiary**” means, in relation to any company or corporation, a company or corporation:

- (a) which is controlled, directly or indirectly, through equity ownership, contractual arrangements or otherwise, by the first mentioned company or corporation;
- (b) more than half the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or
- (c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Transfer Certificate**” means a certificate substantially in the form set out in Schedule 3 (*Form of Transfer Certificate*) or any other form agreed between the Lender and the Borrower.

“**Transfer Date**” means, in relation to an assignment or a transfer, the proposed Transfer Date specified in the Transfer Certificate or in any other document agreed between the relevant assignor and assignee.

“**Unpaid Sum**” means any sum due and payable but unpaid by an Obligor under the Finance Documents.

“**USA**” means the United States of America.

“**Utilisation**” means an utilisation of the Facility.

“**Utilisation Date**” means the date of an Utilisation, being the date on which the Loan is to be made, which shall not be later than the earlier of (i) the last day of the Availability Period and (ii) May 31, 2016.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 2 (*Requests*).

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
- (i) the “Borrower”, the “Lender”, any “Covenantor”, any “Obligor” or any “Party” shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) “assets” includes present and future properties, revenues and rights of every description;
 - (iii) a “Finance Document” or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;
 - (iv) “including” shall be construed as “including without limitation” (and cognate expressions shall be construed similarly);
 - (v) “indebtedness” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (vi) a “person” includes any person, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality) or two or more of the foregoing;
 - (vii) a “regulation” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (viii) a provision of law is a reference to that provision as amended or re-enacted;
 - (ix) words importing one gender shall include the other genders;
 - (x) words importing the singular shall include the plural and vice versa; and
 - (xi) a time of day is a reference to Hong Kong time.
- (b) Section, Clause and Schedule headings are for ease of reference only.
- (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
- (d) A Default or an Event of Default is “continuing” if it has not been remedied or waived.
- (e) Where this Agreement specifies an amount in a given currency (the “specified currency”) “or its equivalent”, the “equivalent” is a reference to the amount of any other currency which, when converted into the specified currency utilising the Lender’s spot rate of exchange for the purchase of the specified currency with that

other currency at or about 11 a.m. on the relevant date, is equal to the relevant amount in the specified currency.

1.3 Third party rights

A person who is not a Party has no right under the doctrine of privity of contract to enforce or to enjoy the benefit of any term of this Agreement. The provisions of the Contracts (Rights of Third Parties) Ordinance (Cap. 623) shall not apply to this Agreement and, unless specifically herein provided, no person other than the Parties to this Agreement shall have any rights under it nor shall it be enforceable by any person other than the Parties to it.

2. THE FACILITY

2.1 The Facility

Subject to the terms of this Agreement, the Lender shall make available to the Borrower a Dollar term loan facility in an aggregate amount of up to 10 million Dollars (US\$10,000,000).

2.2 Term of the Facility

The term of the Facility is from the relevant Utilisation Date to the Final Maturity Date.

3. PURPOSE

3.1 Purpose

The Borrower shall apply all amounts borrowed by it under the Facility for the Group's working capital requirement arising from the Group's ordinary course of business.

3.2 Monitoring

The Lender is not bound to monitor or verify the application of any amount borrowed pursuant to this Agreement, nor shall it be responsible for the consequences of Utilisation of the Loan.

4. CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

The Lender will be obliged to comply with Clause 5.4 (*Lender's disbursement*) only if Lender has received all of the documents and other evidence listed on Schedule 1 (*Conditions precedent*) in form and substance reasonably satisfactory to the Lender (unless the requirement to provide any of such documents or other evidence is waived by the Lender). The Lender shall notify the Borrower promptly upon the Lender being so satisfied.

4.2 Further conditions precedent

The Lender will be obliged to comply with Clause 5.4 (*Lender's disbursement*) only if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (a) no Default is continuing or would result from the proposed Loan;
- (b) all representations made by the Obligors under Clause 14 (*Representations*) are true and accurate; and

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- (c) since the Execution Date, nothing has occurred which has or could reasonably be expected to have a Material Adverse Effect.

4.3 Maximum number of Loan

There is no maximum number of Loans that the Borrower may borrow under the Facility.

5. UTILISATION

5.1 Delivery of a Utilisation Request

The Borrower may utilise the Facility by delivering to the Lender a duly completed Utilisation Request and the Lender receives the Utilisation Request not later than 11 a.m. ten (10) Business Day before the proposed Utilisation Date, provided that the Borrower and the Lender shall agree on the Utilisation Date in advance.

5.2 Completion of a Utilisation Request

- (a) The Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:
 - (A) the proposed Utilisation Date is a Business Day within the Availability Period; and
 - (B) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*).
- (b) Only one Loan may be requested in the Utilisation Request.

5.3 Currency and amount

- (a) The currency specified in an Utilisation Request must be Dollars.
- (b) The amount of the proposed Loan in an Utilisation Request shall be no more than the amount of the Available Facility.

5.4 Lender's disbursement

(a) If it is mutually agreed that the conditions set out in Clause 4 (*Conditions of Utilisation*) and Clause 5.1 (*Delivery of a Utilisation Request*) to Clause 5.3 (*Currency and amount*) above have been met, the Lender shall make the Loan available on the Utilisation Date through its Facility Office.

(b) The amount of such Loan shall be equal to the amount of the Utilisation set forth in the Utilisation Request.

5.5 Cancellation of unutilised Facility

At 5:00 p.m. in Hong Kong on the last day of the Availability Period, the Available Facility shall be automatically cancelled.

6. INTEREST

6.1 Calculation of interest

The rate of interest on the Loan shall be 4.35 percent (4.35%) per annum (the “**Interest Rate**”). Each Loan shall accrue interest on each date on which it is outstanding at the Interest Rate before its due date.

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6.2 Payment of interest

The Borrower shall pay all accrued interest on the Final Maturity Date. For the avoidance of doubt, the amount of interest payable by the Borrower shall be based on the actual amount of the Loan disbursed by the Lender to the Borrower.

6.3 Default interest

(a) Without prejudice to any other remedies available to the Lender under this Agreement or otherwise (and to the maximum extent permitted by applicable law), if the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the Unpaid Sum from the due date to the date of actual payment (both before and after judgment) at a rate which, subject to sub-clause (b) below, shall be 0.02 per cent (0.02%) per day. Any interest accruing under this Clause 6.3 shall be immediately payable by the Borrower on demand by the Lender.

(b) Default interest (if unpaid) arising on an Unpaid Sum will be compounded with the Unpaid Sum at the end of each Month but will remain immediately due and payable.

7. REPAYMENT

7.1 Repayment of Loan

The Borrower shall repay the Loan and all outstanding amounts with respect to the Loan on the Final Maturity Date. For the avoidance of doubt, this obligation of the Borrower shall not be avoided or excused in any way, whether due to issues relating to (a) the legality of the Loan or the use of the Loan, (b) any conflict of interests or the relationship between the Lender and the Borrower and their respective Affiliates and related parties, (c) the violation or breach of any laws and regulations in relation to the Loan, or (d) any other issue otherwise in relation to the Loan and the Finance Documents.

8. PREPAYMENT AND CANCELLATION

8.1 Illegality and Mandatory Prepayment

If, at any time, it is or will become unlawful in any applicable jurisdiction for the Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan or it is or will become unlawful for the Lender to do so:

(a) the Lender shall promptly notify the Borrower upon becoming aware of that event;

(b) after the Lender notifying the Borrower, the Available Facility of the Lender will be immediately cancelled; and

(c) the Borrower shall repay or pay the Lender on the date specified by the Lender (being no earlier than the last day of any applicable grace period permitted by law) the outstanding Loan together with the interest accrued up to the repayment or, as the case may be, payment date and all other amounts accrued under the Finance Documents.

8.2 Voluntary prepayment of Loan

The Borrower may, if it gives the Lender not less than five (5) Business Days’ (or such shorter period as the Lender may agree) prior notice, prepay all or any portion of the Loan. When the Borrower makes the prepayment of the Loan, the Borrower shall also pay the interest accrued on the amount prepaid to the Lender at the same time.

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8.3 Restrictions

(a) Any notice of cancellation or mandatory prepayment given by the Lender under this Clause 8 shall specify the date or dates upon which the relevant cancellation or mandatory prepayment is to be made and the amount of that cancellation or mandatory prepayment.

- (b) The Borrower may not reborrow any part of the Facility which is prepaid.
- (c) The Borrower shall not repay or prepay all or any part of the Loan or cancel all or any part of the Available Facility except at the times and in the manner expressly provided for in this Agreement.
- (d) No amount of the Available Facility cancelled under this Agreement may be subsequently reinstated.

9. TAX GROSS UP AND INDEMNITIES

9.1 Definitions

- (a) In this Clause 9:

“**Tax Credit**” means a credit against, relief or remission for, or repayment of any Tax.

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

“**Tax Payment**” means an increased payment made by an Obligor to the Lender under Clause 9.2 (*Tax gross-up*) or a payment under Clause 9.3 (*Tax indemnity*).

- (b) Unless a contrary indication appears, in this Clause 9 a reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination.

9.2 Tax gross-up

- (a) All payments to be made by an Obligor to the Lender under the Finance Documents shall be made free and clear of and without any Tax Deduction unless such Obligor is required to make a Tax Deduction, in which case the sum payable by such Obligor (in respect of which such Tax Deduction is required to be made) shall be increased to the extent necessary to ensure that the Lender receives a sum net of any deduction or withholding equal to the sum which it would have received had no such Tax Deduction been made or required to be made.
- (b) The Borrower shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Lender accordingly. Similarly, the Lender shall notify the Borrower on becoming so aware in respect of a payment payable to the Lender.
- (c) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (d) Within thirty (30) days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Lender entitled to the payment evidence reasonably

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satisfactory to the Lender that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

9.3 Tax indemnity

- (a) Without prejudice to Clause 9.2 (*Tax gross-up*), if the Lender is required to make any payment of or on account of Tax on or in relation to any sum received or receivable under the Finance Documents (including any sum deemed for purposes of Tax to be received or receivable by the Lender whether or not actually received or receivable) or if any liability in respect of any such payment is asserted, imposed, levied or assessed against the Lender, the Borrower shall, within three (3) Business Days of demand of the Lender, promptly indemnify the Lender which suffers a loss or liability as a result against such payment or liability, together with any interest, penalties, costs and expenses payable or incurred in connection therewith, provided that this Clause 9.3 shall not apply to:
 - (i) any Tax imposed on and calculated by reference to the net income actually received or receivable by the Lender (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by the Lender but not actually receivable) by the jurisdiction in which the Lender is incorporated; or
 - (ii) any Tax imposed on and calculated by reference to the net income of the Facility Office of the Lender actually received or receivable by the Lender (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by the Lender but not actually receivable) by the jurisdiction in which its Facility Office is located.
- (b) If the Lender intends to make a claim under sub-clause (a), it shall notify the Borrower of the event giving rise to the claim.

9.4 Tax credit

If an Obligor makes a Tax Payment and the Lender determines that:

- (a) a Tax Credit is attributable to that Tax Payment; and
- (b) the Lender has obtained, utilised and retained that Tax Credit,

the Lender shall pay an amount to the Obligor which the Lender determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Obligor.

9.5 Stamp taxes

The Borrower shall:

- (a) pay all stamp duty, registration and other similar Taxes payable in respect of any Finance Document, and
- (b) within three (3) Business Days of demand, indemnify the Lender against any cost, loss or liability that the Lender incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

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9.6 Indirect tax

- (a) All consideration expressed to be payable under a Finance Document by any Obligor to the Lender shall be deemed to be exclusive of any Indirect Tax. If any Indirect Tax is chargeable on any supply made by the Lender to any Obligor in connection with a Finance Document, that Obligor shall pay to the Lender (in addition to and at the same time as paying the consideration) an amount equal to the amount of the Indirect Tax.
- (b) Where a Finance Document requires any Obligor to reimburse the Lender for any costs or expenses, that Obligor shall also at the same time pay and indemnify the Lender against all Indirect Tax incurred by the Lender in respect of the costs or expenses to the extent the Lender reasonably determines that it is not entitled to credit or repayment in respect of the Indirect Tax.

10. INCREASED COSTS

10.1 Increased costs

- (a) Subject to Clause 10.3 (*Exceptions*) the Borrower shall, within three (3) Business Days of a demand by the Lender, pay to the Lender the amount of any Increased Costs incurred by the Lender as a result of (A) any Fund Raising, (B) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation after the Execution Date and the compliance thereof.
- (b) In this Agreement “**Increased Costs**” means:
 - (i) a reduction in the rate of return from the Facility or on the Lender’s (or its Affiliate’s) overall capital (including as a result of any reduction in the rate of return on capital brought about by more capital being required to be allocated by the Lender);
 - (ii) an additional or increased cost as a result of, among others, any Fund Raising; or
 - (iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by the Lender or any of its Affiliates to the extent that it is attributable to the Lender having entered into or funding or performing its obligations under any Finance Document.

10.2 Increased cost claims

- (a) If the Lender intends to make a claim pursuant to Clause 10.1 (*Increased costs*), it shall notify the Borrower of the event giving rise to the claim.
- (b) The Lender shall, as soon as practicable after a demand by the Borrower, provide a certificate confirming the amount of its Increased Costs.

10.3 Exceptions

- (a) Clause 10.1 (*Increased costs*) does not apply to the extent any Increased Cost is:
 - (i) attributable to a Tax Deduction required by law to be made by an Obligor; or

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- (ii) compensated for by Clause 9.3 (*Tax indemnity*) (or would have been compensated for under Clause 9.3 (*Tax indemnity*) but was not so compensated solely because the exclusion in sub-clause (a) applied).

- (b) In this Clause 10.3, a reference to a “Tax Deduction” has the same meaning given to the term in Clause 9.1 (*Definitions*).

11. MITIGATION BY THE LENDER

11.1 Mitigation

- (a) The Lender shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 8.1 (*Illegality and Mandatory*

Prepayment), Clause 9 (*Tax gross-up and indemnities*) or Clause 10 (*Increased costs*), including transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office in relation to any circumstances which arise following the Execution Date.

- (b) Sub-clause (a) above does not in any way limit the obligations of any Obligor under the Finance Documents.

11.2 Limitation of liability

- (a) The Borrower shall promptly indemnify the Lender for all costs and expenses incurred by the Lender as a result of steps taken by it under Clause 11.1 (*Mitigation*).
- (b) The Lender is not obliged to take any steps under Clause 11.1 (*Mitigation*) if, in the opinion of the Lender, to do so might be prejudicial to it.

11.3 Conduct of business by the Lender

No provision of this Agreement will:

- (a) interfere with the right of the Lender to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige the Lender to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige the Lender to disclose any information relating to its affairs (tax, foreign exchange or otherwise) or any computations in respect of Tax.

12. OTHER INDEMNITIES

12.1 Currency indemnity

- (a) If any sum due from an Obligor under the Finance Documents (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:
- (i) making or filing a claim or proof against that Obligor; or
- (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

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the Obligor shall, as an independent obligation, within three (3) Business Days of demand, indemnify the Lender to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (i) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (ii) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

12.2 Other indemnities

The Borrower shall, within three (3) Business Days of demand, indemnify the Lender against any cost, loss or liability incurred by the Lender as a result of:

- (a) the occurrence of any Event of Default;
- (b) any information produced or approved by the Borrower being or being alleged to be misleading and/or deceptive in any respect;
- (c) any enquiry, investigation, subpoena (or similar order) or litigation with respect to any Obligor or with respect to the transactions contemplated or financed under any of the Finance Documents;
- (d) a failure by an Obligor to pay any amount due under a Finance Document on its due date or in the relevant currency;
- (e) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by the Lender alone);
- (f) a Loan (or part of a Loan) not being prepaid in accordance with a notice of mandatory prepayment given by the Lender;
- (g) investigating any event which it reasonably believes is a Default; or
- (h) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

13. COSTS, EXPENSES AND FEE

13.1 Fund Raising costs

The Borrower shall, within three (3) Business Days of demand, pay to the Lender the amount of all reasonable costs and expenses (including legal fees) incurred by the Lender in connection with any Fund Raising (which, for the avoidance of doubt, shall include but not limit to fees and charges of any bank or other financial institution with which the Lender enters into “foreign loan with domestic security” arrangement for the purpose of deploying funds offshore in order to advance the Facility to the Borrower).

13.2 Amendment costs

If an Obligor requests an amendment, waiver or consent, the Borrower shall, within three (3) Business Days of demand, reimburse the Lender for the amount of all costs and expenses (including legal fees) incurred by the Lender in responding to, evaluating, negotiating or complying with that request or requirement.

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13.3 Legal fees and enforcement costs

The Borrower shall, within three (3) Business Days of demand, pay to the Lender the amount of all legal fees incurred by the Lender in connection with the preparation, negotiation and execution of the Finance Documents and the amount of all reasonable costs and expenses (including legal fees) incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

14. REPRESENTATIONS

The Obligors hereby, joint and severally, make the representations and warranties set out in this Clause 14 to the Lender.

14.1 Status

- (a) Each of the Obligors is a corporation, duly incorporated and validly existing and (where applicable) in good standing under the laws of its jurisdiction of incorporation.
- (b) Each of the Obligors and their Subsidiaries has the capacity and power to own its assets and carry on its business as it is being conducted.

14.2 Binding obligations

The obligations expressed to be assumed by each of the Obligors in each Finance Document are, subject to any general principles of law limiting its obligations including the Legal Reservations, legal, valid, binding and enforceable obligations.

14.3 Non-conflict with other obligations

The entry into and performance by each of the Obligors of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any law or regulation applicable to any of the Obligors;
- (b) the constitutional documents of any of the Obligors; or
- (c) any agreement or instrument binding upon any of the Obligors or any of its assets.

14.4 Power and authority

Each of the Obligors has the capacity, corporate power and authority to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

14.5 Validity and admissibility in evidence

Subject to the Legal Reservations, all Authorisations required or desirable:

- (a) to enable each of the Obligors lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party,
- (b) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation, and
- (c) for it to carry on its business,

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have been obtained or effected and are in full force and effect.

14.6 Governing law and enforcement

- (a) The choice of law specified as the governing law of each Finance Document will, subject to the Legal Reservations, be recognised and enforced in the jurisdiction of incorporation of each of the Obligors.
- (b) Any monetary judgment or arbitration award obtained in Hong Kong in relation to a Finance Document will, subject to the Legal Reservations, be recognised and enforced in the jurisdiction of incorporation of each of the Obligors.

14.7 Deduction of Tax

It is not required under the law currently applicable where each of the Obligors is incorporated or at the address specified in this Agreement to make any deduction for or on account of Tax from any payment it may make under any Finance Document.

14.8 No filing or stamp taxes or announcement

Under the law of the jurisdiction of incorporation of each of the Obligors, it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents, or that any public announcement be made.

14.9 No default

- (a) No Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on any of the Obligors or to which any of the Obligors' assets are subject which would reasonably be expected to have a Material Adverse Effect.

14.10 No misleading information

All written information supplied by any of the Obligors or on its behalf is true, complete and accurate in all material respects as at the date it was given and is not misleading in any material respect.

14.11 Financial statements

- (a) The Original Financial Statements give a true and fair view of the financial condition and operations of the Group during the relevant financial year save to the extent expressly disclosed in such Original Financial Statements.
- (b) There has been no Material Adverse Effect since the date of the Original Financial Statements.

14.12 Paripassu ranking

Each of the Obligors' payment obligations under the Finance Documents rank at least paripassu with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

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14.13 No proceedings pending or threatened

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect, (to the best of the Obligors' knowledge and belief) have been started or threatened against any of the Obligors or any of their Subsidiaries.

14.14 Authorised Signatures

Any person specified as the authorised signatory of an Obligor under Schedule 1 (*Conditions precedent*), as such schedule may be updated, or Clause 15.1 (*Information: miscellaneous*) is authorised to sign Utilisation Requests (in the case of the Borrower only) and other notices on such Obligor's behalf.

14.15 No immunity

Each of the Obligors is generally subject to civil and commercial law and to set-off, suit, judgment and execution with respect to their respective obligations under this Agreement and neither the Obligors nor any of their assets has or is entitled to any immunity or privilege, whether characterised as sovereign immunity or otherwise from any set-off, suit, legal action, proceeding, judgment, execution, attachment or other legal process.

14.16 No omissions

None of the representations and warranties set out in Clauses 14.1 (*Status*) to 15.16 (*No immunity*) (both clauses included) omits any matter the omission of which makes any of such representation and warranty misleading.

14.17 Repetition

The representations set out in Clauses 14.1 (*Status*) to 15.17 (*No omissions*) (both clauses included) are deemed to be made by each Obligor by reference to the facts and circumstances then existing on the first day of each month during the Loan Period.

15. INFORMATION UNDERTAKINGS

The undertakings in this Clause 15 shall remain in force during the Loan Period.

15.1 Information: miscellaneous

Each Obligor shall deliver to the Lender:

- (a) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group or any Obligor which if adversely determined would reasonably be expected to have a Material Adverse Effect;
- (b) promptly, such further information regarding the financial condition, business and operations of any member of the Group or any Obligor as the Lender may reasonably request; and
- (c) promptly, notice of any change in authorised signatories of any Obligor signed by a director or company secretary of such Obligor accompanied by specimen signatures of any new authorised signatories.

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15.2 Notification of default

- (a) Each Obligor shall notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.
- (b) Promptly upon a request by the Lender if it believes (acting in good faith) that a Default may have occurred and is continuing, the Borrower shall deliver to the Lender a certificate signed by a director or authorised officer certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

16. GENERAL UNDERTAKINGS

The undertakings in this Clause 16 shall remain in force during the Loan Period.

16.1 Authorisations

Each Obligor shall promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (b) supply certified copies to the Lender of,

any Authorisation required to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

16.2 Compliance with laws

Each Obligor shall comply in all respects with all laws, regulations and listing rules to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents. Each Obligor shall ensure that the Loan and the use of the Loan is legal under all applicable laws.

16.3 Paripassu ranking

Each Obligor shall ensure that the payment obligations of the Obligors under the Finance Documents rank and continue to rank at least paripassu with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

16.4 Disposals

Each Obligor shall not, and shall procure each member of the Group not to, enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to dispose of any of their respective assets of value exceeding US\$2,500,000 (each as determined by the Lender as at the date of the disposal) without prior written consent from the Lender (which may be withheld or given with or without conditions in the Lender's sole discretion).

16.5 Merger

Each Obligor shall not, and shall procure each member of the Group not to, enter into any amalgamation, demerger, merger or corporate reconstruction without the prior written consent of the Lender.

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16.6 Redemption of shares

Each Obligor shall not, and shall procure each member of the Group not to, purchase or redeem any of its issued share capital or make a distribution of assets or other capital distribution to its shareholders without the prior written consent of the Lender.

16.7 Dividend distribution

Each Obligor shall not, and shall procure each member of the Group not to, declare or pay any dividend or make any other income distribution to its shareholders without the prior written consent of the Lender.

16.8 Change of business

Each Obligor shall not, and shall procure each member of the Group not to, make any substantial change to the general nature of their respective business from that carried on at the Execution Date without the prior written consent of the Lender.

16.9 Acquisitions

Each Obligor shall not, and shall procure each member of the Group not to, acquire any company, business, assets or undertaking or make any investment without the prior written consent of the Lender.

16.10 Loans and Guarantees

Without the prior written consent of the Lender, each Obligor shall not, and shall procure each member of the Group not to, make any loans, grant any credit (save in the ordinary course of business) or give any guarantee or indemnity (except as required under any of the Finance Documents) to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any person, save and except where such making of loans and giving of guarantees or indemnities are in the ordinary course of business of the relevant member of the Group.

16.11 Use of Proceeds

The Borrower shall not use any proceeds of the Loan for any purpose other than that set forth in Clause 3.1 (*Purpose*).

16.12 Fundamental changes

Without the prior written consent of the Lender, each Obligor shall not, and shall procure each member of the Group not to, change:

- (a) its constitutional documents in any manner which would be inconsistent with the provisions of any Finance Document; or
- (b) its financial year.

16.13 Amendments, waivers, etc. of material agreements

Each Obligor shall not, and shall procure each member of the Group not to, terminate, amend or grant any waiver with respect to any provision of any material agreement or other instrument evidencing or relating to Financial Indebtedness without the prior written consent of the Lender.

16.14 Borrowing or raising of credit

Each Obligor shall not, and shall procure each member of the Group not to, borrow or raise credit or Financial Indebtedness or incur any other indebtedness or permit to subsist any financial facilities with any bank, financial institution or other party without prior written consent of the Lender, except from the Lender pursuant to this Agreement, save and except where such borrowing and raising of credit are in the ordinary course of business of the relevant member of the Group, in which event the Borrower shall give a prior written notification of such proposed borrowing and raising of credit to the Lender.

16.15 Negative pledge

- (a) Each Obligor shall not, and shall procure each member of the Group not to, create or permit to subsist any Security over any of the Group's assets to secure any Financial Indebtedness of the Obligors or any Subsidiary thereof (or any guarantees or indemnity in respect thereof) without, in any such case, making effective provision whereby the Loan and the obligations under the Finance Documents will be secured either at least equally and ratably with such Financial Indebtedness or by such other Security as shall have been approved by the Lender, for so long as such Financial Indebtedness will be so secured.
- (b) Paragraph (a) above does not apply to any Security listed below:
 - (i) any Security arising or already arisen automatically by operation of law, or for taxes, assessments or governmental charges which is promptly discharged or disputed in good faith by appropriate proceedings;
 - (ii) any Security existing on any property or asset prior to the acquisition thereof by an Obligor or any Subsidiary thereof arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;
 - (iii) any cash management, netting or set-off arrangement or combination of accounts arising in favour of any bank or financial institution as a result of the day-to-day operation of banking arrangements;
 - (iv) any Security arising under any retention of title, title transfer, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to any Obligor or any Subsidiary thereof in the ordinary course of business; and

- (v) any easement, right-of-way, zoning and similar restriction and other similar charge or encumbrance not interfering with the ordinary course of business of an Obligor or any of its Subsidiaries.

17. EVENTS OF DEFAULT

Each of the events or circumstances set out in the following sub-clauses of this Clause 17 (other than 18.14 (*Acceleration*)) is an Event of Default.

17.1 Non-payment

The Borrower does not pay on the due date any amount payable pursuant to a Finance Document at the place and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by administrative or technical error, the Lender, or the force majeure; and
- (b) payment is made within three (3) Business Days of its due date.

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17.2 Other obligations

- (a) An Obligor does not comply with any provision of the Finance Documents (other than those referred to in Clause 17.1 (*Non-payment*)).
- (b) No Event of Default under sub-clause (a) above will occur if the failure to comply is capable of remedy, and is remedied within ten (10) Business Days of the earlier of the Lender giving notice to the Borrower or any Obligor becoming aware of the failure to comply.
- (c) If the Borrower fails to repay the Loan and all outstanding amounts with respect to the Loan on the Final Maturity Date, then without prejudice to any of the rights of the Lender under this Agreement and its exercise of such rights, the Parties shall enter into amicable negotiations with each other in good faith with a view to resolving the matter.

17.3 Misrepresentation

- (a) Any representation or statement made or deemed to be made by an Obligor in the Finance Documents or any other document delivered by or on behalf of any Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made by reference to the facts and circumstances then existing.
- (b) No Event of Default will occur under paragraph (a) above if the misrepresentation is capable of remedy and is remedied within ten (10) days of the earlier of (i) the Lender giving notice to the Borrower of such misrepresentation and (ii) any Obligor becoming aware of the misrepresentation.

17.4 Cross default

- (a) Any Financial Indebtedness of any member of the Group or any Obligor is not paid when due nor within any originally applicable grace period.
- (b) Any Financial Indebtedness of any member of the Group or any Obligor is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) No Event of Default will occur under this Clause 17.4 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within sub-clause (a) to (b) (inclusive) above is less than US\$500,000 (or its equivalent in any other currency or currencies).

17.5 Insolvency

- (a) Any member of the Group or any Obligor is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (b) A moratorium is declared in respect of any indebtedness of any member of the Group or any Obligor.

17.6 Insolvency proceedings

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

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- (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, provisional supervision or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Obligor or any member of the Group other than a solvent liquidation or reorganisation of any member of the Group which is not an Obligor;
- (b) a composition or arrangement with any creditor of any Obligor or any member of the Group, or an assignment for the benefit of creditors generally of any Obligor or any member of the Group or a class of such creditors;

- (c) the appointment of a liquidator (other than in respect of a solvent liquidation of a member of the Group which is not an Obligor), receiver, administrator, administrative receiver, compulsory manager, provisional supervisor or other similar officer in respect of any Obligor or any member of the Group or any of its assets;
- (d) enforcement of any Security over any assets of any Obligor or any member of the Group; or
- (e) any analogous procedure or step is taken in any jurisdiction.

17.7 Creditors' process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a member of the Group or any Obligor and is not discharged, stayed or dismissed within thirty (30) days from the date of the relevant order.

17.8 Unlawfulness

It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents.

17.9 Repudiation

An Obligor repudiates a Finance Document or evidences an intention to repudiate a Finance Document.

17.10 Moratorium on External Indebtedness

The government of the PRC, USA or Hong Kong, central bank (or equivalent) of the PRC, USA or Hong Kong or any Governmental Agency of the PRC, USA or Hong Kong declares a moratorium, standstill or similar suspension of payments in respect of its external indebtedness.

17.11 Cessation of business

Any Obligor suspends or ceases to carry on all or a material part of its business or of the business of the Group taken as a whole.

17.12 Money Laundering, Anti-corruption, financing of Terrorism

- (a) Any Obligor engages in Corrupt Practices, Fraudulent Practices, Collusive Practices or Coercive Practices, including in connection with the procurement or execution of any contract for goods or services.
- (b) Any Obligor engages in Money Laundering or acts in breach of any law relating to Money Laundering.

- (c) Any Obligor engages in the Financing of Terrorism.

17.13 Material Adverse Effect

Any other event or series of events occurs which has or could reasonably be expected to have a Material Adverse Effect.

17.14 Acceleration

On and at any time after the occurrence of an Event of Default which is continuing the Lender may by notice to the Borrower:

- (a) cancel the Available Facility whereupon it shall immediately be cancelled;
- (b) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (c) declare that all or part of the Loan be payable on demand, whereupon they shall immediately become payable on demand by the Lender.

18. CHANGES TO THE LENDER

18.1 Assignments and transfers by the Lender

- (a) Subject to this Clause 18, a Lender (the “Existing Lender”) may:

- (i) assign any of its rights; or
- (ii) transfer by novation any of its rights and obligations,

under the Finance Documents to any bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets or to any other person (the “New Lender”).

- (b) The consent of the Borrower shall be required for any assignment or transfer pursuant to paragraph (a) above, in each case, unless the relevant assignment or transfer is (i) to an Affiliate of the Lender or (ii) made at a time when an Event of Default is occurring. The consent of the Borrower to a transfer or assignment must not be unreasonably withheld or delayed. The Borrower will be deemed to have given its

consent five (5) Business Days after the Existing Lender has requested it unless consent is expressly refused by the Borrower within that time.

- (c) An assignment will be effective only on receipt by the Existing Lender of written confirmation from the New Lender that the New Lender will assume the same obligations as it would have been under if it was the Existing Lender.
- (d) A transfer will be effective only if the procedure set out in Clause 18.3 (*Procedure for transfer*) is complied with.

18.2 Limitation of responsibility of Existing Lender

- (a) Unless expressly agreed to the contrary, the Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

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- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
- (ii) the financial condition of any Obligor;
- (iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or
- (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,

and any representations or warranties implied by law are excluded.

- (b) Each New Lender confirms to the Existing Lender that it:
 - (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents.
- (c) Nothing in any Finance Document obliges the Existing Lender to:
 - (i) accept a re-transfer from a New Lender of any of the rights and obligations assigned or transferred under this Clause 18; or
 - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.
- (d) In relation to any assignment or transfer by the Existing Lender under this Clause 18, the relevant New Lender agrees to be bound by any consent, waiver or decision given or made by the Existing Lender in connection with the Finance Documents prior to such assignment or transfer.

18.3 Procedure for transfer

- (a) Subject to the conditions set out in sub-clauses (c) and (d), a transfer is effected in accordance with sub-clause (b) below when the Existing Lender and the New Lender execute a duly completed Transfer Certificate or any other form of document agreed between them.
- (b) On the Transfer Date:
 - (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents each of the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another shall be cancelled (being the “**Discharged Rights and Obligations**”);
 - (ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that

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Obligor and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;

- (iii) the New Lender shall acquire the same rights and assume the same obligations as it would have acquired and assumed had the New Lender been the Existing Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Existing Lender shall be released from further obligations under this Agreement; and
- (iv) the New Lender shall become a Party as a “Lender”.

18.4 Copy of Transfer Certificate to Borrower

The Lender shall, as soon as reasonably practicable after it has executed a Transfer Certificate, send to the Borrower a copy of that Transfer Certificate.

18.5 Existing consents and waivers

A New Lender shall be bound by any consent, waiver, election or decision given or made by the relevant Existing Lender under or pursuant to any Finance Document prior to the coming into effect of the relevant assignment or transfer to such New Lender.

18.6 Exclusion of liability

In relation to any assignment or transfer pursuant to this Clause 18, the Borrower acknowledges and agrees that the Lender shall not be obliged to enquire as to the accuracy of any representation or warranty made by a New Lender in respect of its eligibility as a Lender.

19. CHANGES TO THE OBLIGORS

An Obligor may not assign or transfer any of its rights or obligations under any Finance Document, except with the prior written consent of the Lender.

20. DISCLOSURE OF INFORMATION

The Lender may disclose to:

- (A) any of its Affiliates;
- (B) its head office, its other branch, and its associated companies;
- (C) any of its professional advisers and other persons providing services to it;
- (D) any Obligor;
- (E) any person permitted by any Obligor;
- (F) any person to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation or rules of any securities exchange on which any security of the Lender or any of its Affiliates is listed; and
- (G) any other person:
 - (a) to (or through) whom the Lender assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement;

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- (b) with (or through) whom the Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or any Obligor;
- (c) appointed by a person to whom paragraph (G)(a) or (G)(b) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf;
- (d) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (G)(a) or (G)(b) above;
- (e) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;
- (f) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes; or
- (g) with the consent of the Obligors,

any information about any Obligor, the Group and the Finance Documents as the Lender shall consider appropriate; provided that in relation to disclosure pursuant to paragraphs (A), (B), (C), (F) or (G) above, if such information is confidential, the person to whom the confidential information is to be given is informed of its confidential nature and that some or all of such confidential information may be price-sensitive information; and further provided that, notwithstanding any other provision herein, the Lender and its Affiliates shall be entitled to, through public announcements, filings, press release or otherwise, publicly disclose any such information as required by any applicable law or regulation or rules of any securities exchange on which any security of the Lender or any of its Affiliates is listed. This Clause supersedes any previous agreement relating to the confidentiality of such information.

21. PAYMENT MECHANICS

21.1 Payments to the Lender

(a) On each date on which an Obligor is required to make a payment under a Finance Document, that Obligor shall make the same available to the Lender (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Lender as being customary at the time for settlement of transactions in the relevant currency in the place of payment. If no such time is specified, payment must be made no later than 11:00 a.m. Hong Kong time on such due date.

(b) Payment shall be made to the account as notified by the Lender to the Borrower from time to time.

21.2 Partial payments

(a) If the Lender receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents, the Lender shall apply that payment towards the obligations of that Obligor under the Finance Documents in the following order:

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(A) first, in or towards payment of any unpaid fees, costs and expenses of the Lender under the Finance Documents;

(B) secondly, in or towards payment of any accrued interest, fee (other than as provided in paragraph (A) above) or commission due but unpaid under this Agreement;

(C) thirdly, in or towards payment of any principal due but unpaid under this Agreement; and

(D) fourthly, in or towards payment of any other sum due but unpaid under the Finance Documents.

(b) The Lender may vary the order set out in paragraphs (B) to (D) of sub-clause (a) above.

(c) Sub-clauses (a) and (b) above will override any appropriation made by an Obligor.

21.3 Business Days

(a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

(b) During any extension of the due date for payment of any principal or Unpaid Sum under sub-clause (a) above, interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

22. SET-OFF

(a) All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

(b) The Lender may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by the Lender) against any matured obligation owed by the Lender to that Obligor, regardless of the place of payment or currency of either obligation. If the obligations are in different currencies, the Lender may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

23. NOTICES

23.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

23.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

(a) in the case of any of the Obligors:

Address: 7th Floor, Building D, Tsinghua Tongfang Hi-Tech Plaza, Haidian District, Beijing, China

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Fax: +86-10-8280 0540
Attention: Mr. ZHENG Zhaohui(□□□)

(b) in the case of the Original Lender:

Address: 11th Floor, Zhongqing Building, No.4Qiyang Road, Wangjing, Beijing, China
Fax: +86-10-6067 6889
Attention: Mr. LI Ya (□□)

or any substitute address, fax number or department or officer as the Party may notify to the other Party by not less than five (5) Business Days' notice.

23.3 Delivery

(a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will be effective:

(i) if by way of fax, only when received in legible form; or

(ii) if by way of letter, only when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;

and, if a particular department or officer is specified as part of its address details provided under Clause 23.2 (*Addresses*), if addressed to that department or officer.

(b) Any communication or document made or delivered to the Borrower in accordance with this Clause will be deemed to have been made or delivered to the other Obligor.

(c) Any communication or document which becomes effective, in accordance with sub-clauses (a) to (b) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

23.4 Electronic communication

(a) Any communication to be made between any two Parties under or in connection with the Finance Documents may be made by electronic mail or other electronic means to the extent that those two Parties agree that, unless and until notified to the contrary, this is to be an accepted form of communication; and if those two Parties:

(i) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(ii) notify each other of any change to their address or any other such information supplied by them by not less than five (5) Business Days' notice.

(b) Any electronic communication made between those two Parties will be effective only when actually received in readable form and in the case of any electronic communication made by a Party to the Lender only if it is addressed in such a manner as the Lender shall specify for this purpose.

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(c) Any electronic communication which becomes effective, in accordance with paragraph (b) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

24. CALCULATIONS AND CERTIFICATES

24.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by the Lender are prima facie evidence of the matters to which they relate.

24.2 Certificates and Determinations

Any certification or determination by the Lender of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

24.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days.

25. PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

26. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under the Finance Documents shall operate as a waiver of any such right or remedy or constitute an election to affirm any of the Finance Documents. No election to affirm any of the Finance Documents on the part of the Lender shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

27. **AMENDMENTS AND WAIVERS**

Any term of the Finance Documents may be amended or waived only with the consent of the Lender and the Obligors and any such amendment or waiver will be binding on all Parties.

28. **COUNTERPARTS**

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

29. **GOVERNING LAW**

This Agreement, and all non-contractual obligations arising from or in connection with this Agreement, are governed by, and construed exclusively in accordance with, the laws of Hong Kong.

30. **DISPUTE RESOLUTION**

All disputes and controversies arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) shall be referred to and finally settled by arbitration at the Hong Kong International Arbitration Centre in accordance with the UNCITRAL Arbitration Rules (the “**UNCITRAL Rules**”) in effect, which rules are deemed to be incorporated by reference into this Clause 30. The arbitration tribunal shall consist of three arbitrators to be appointed according to the UNCITRAL Rules. The language of the arbitration shall be English.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SIGNATURE PAGE

For execution by the Borrower

SIGNED and DELIVERED by

for and on behalf of
PARTICLE INC.

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)

/s/ 赵会 Zheng

DIRECTOR / AUTHORISED SIGNATORY

For execution by the Covenantors

SIGNED and DELIVERED by

for and on behalf of
PARTICLE (HK) LIMITED

)
)
)
)

/s/ 赵会 Zheng

DIRECTOR / AUTHORISED SIGNATORY

SIGNED and DELIVERED by

for and on behalf of
**BEIJING PARTICLE INFORMATION
TECHNOLOGY CO., LTD.**
(XXXXXXXXXXXX)

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)
)

/s/ 赵会 Zheng

GENERAL MANAGER / AUTHORISED SIGNATORY

SIGNED and DELIVERED by

for and on behalf of
**BEIJING YIDIANWANGJU
TECHNOLOGY CO., LTD.**
(XXXXXXXXXXXX)

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)

/s/ 赵会 Zheng

DIRECTOR / AUTHORISED SIGNATORY

SIGNATURE PAGE

For execution by the Lender

SIGNED and DELIVERED by
for and on behalf of
PHOENIX NEW MEDIA LIMITED

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)
)

/s/ YA LI

DIRECTOR / AUTHORISED SIGNATORY

**SCHEDULE 1
CONDITIONS PRECEDENT**

1. Authorisation Documents of the Borrower

- 1.1 Certified copies of the constitutional documents (including the certificate of incorporation, the updated version of the memorandum and articles of association, a certificate of incumbency and a certificate of good standing issued by the Registrar of Companies) of the Borrower.
- 1.2 Certified copies of resolutions of the board of directors of the Borrower:
 - (a) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party;
 - (b) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
 - (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
- 1.3 Director's certificate from the Borrower:
 - (a) confirming that borrowing or securing, as appropriate, the Loan under this Agreement would not cause any borrowing, guaranteeing or similar limit binding on it to be exceeded;
 - (b) containing specimen of the signature of each person authorised by the resolution referred to in sub-clause 1.2(b) above; and
 - (c) certifying that each copy document relating to it specified in this Schedule 1 is correct, complete and in full force and effect as at a date no earlier than the Execution Date.
- 1.4 Certified copies of written consent of (i) holders of no less than 70% of the outstanding Preferred Shares of the Borrower (voting as a separate class), (ii) holders of no less than 70% of the outstanding Series B Shares of the Borrower (voting as a separate class), and (iii) holders of no less than 70% of the outstanding Class C Shares of the Borrower (voting as a separate class) approving the terms of, and the transactions contemplated by, the Finance Documents.

2. Authorisation Documents of the Covenantors

- 2.1 Certified copies of the constitutional documents (including the certificate of incorporation and the updated version of the articles of association) of each of the Covenantors.
 - 2.2 Certified copies of resolutions of the board of directors of each of the Covenantors:
 - (a) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party;
 - (b) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
 - (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
 - 2.3 Director's certificate or legal representative's certificate from each of the Covenantors:
-

- (a) confirming that assuming obligations under this Agreement would not cause any borrowing, guaranteeing or similar limit binding on it to be exceeded;
- (b) containing specimen of the signature of each person authorised by the resolution referred to in sub-clause 2.2(b) above; and
- (c) certifying that each copy document relating to it specified in this Schedule 1 is correct, complete and in full force and effect as at a date no earlier than the Execution Date

3. **Other documents and evidence**

- 3.1 The Original Financial Statements of the Borrower.
- 3.2 A copy of any other Authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
- 3.3 Satisfactory completion of any other document(s) which the Lender may reasonably require.

**SCHEDULE 2
FORM OF UTILISATION REQUEST**

Utilisation Request

From: Particle Inc.

To: Phoenix New Media Limited

Date:

Dear Sirs

Loan Agreement dated [] 2016 between, among others, Particle Inc. as borrower and Phoenix New Media Limited as lender (the “Loan Agreement”)

1. We refer to the Loan Agreement. This is an Utilisation Request. Terms defined in the Loan Agreement shall have the same meaning in this Utilisation Request.

2. We wish to borrow a Loan on the following terms:

Proposed Utilisation Date: [] (or, if that is not a Business Day, the next Business Day)
Amount: US\$[]

3. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.

4. The proceeds of this Loan should be credited to the following account:

Name of Bank: _____
Account Number: _____
Address of Bank: _____

5. This Utilisation Request is irrevocable.

Yours faithfully

authorised signatory for
Particle Inc.

**SCHEDULE 3
FORM OF TRANSFER CERTIFICATE**

To: Particle Inc.

From: [The Existing Lender] (the “Existing Lender”) and [The New Lender] (the “New Lender”)

Dated:

Loan Agreement dated [] 2016 between, among others, Particle Inc. as borrower and Phoenix New Media Limited as lender (the “Loan Agreement”)

List of Significant Subsidiaries of the Registrant (as of December 31, 2015)**Subsidiaries**

Phoenix Satellite Television Information Limited
Phoenix New Media (Hong Kong) Company Limited
Fenghuang On-line (Beijing) Information Technology Co., Ltd.
Beijing Fenghuang Yutian Software Technology Co., Ltd.
Fenghuang Feiyang (Beijing) New Media Information Technology Co., Ltd.

Affiliated consolidated entities

Yifeng Lianhe (Beijing) Technology Co., Ltd.
Beijing Tianying Jiuzhou Network Technology Co., Ltd.

Subsidiaries of affiliated consolidated entity

Beijing Tianying Chuangzhi Advertising Co., Ltd.
Tianjin Fenghuang Mingdao Culture Communication Co., Ltd.
Shanghai Yixi Network Technology Co., Ltd.

**Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Shuang Liu, certify that:

1. I have reviewed this annual report on Form 20-F of Phoenix New Media Limited (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 28, 2016

By: /s/ Shuang Liu

Name: Shuang Liu

Title: Chief Executive Officer

**Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Betty Yip Ho, certify that:

1. I have reviewed this annual report on Form 20-F of Phoenix New Media Limited (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 28, 2016

By: /s/ Betty Yip Ho
Name: Betty Yip Ho
Title: Chief Financial Officer

**Certification by the Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Phoenix New Media Limited (the "Company") on Form 20-F for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Shuang Liu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2016

By: /s/ Shuang Liu
Name: Shuang Liu
Title: Chief Executive Officer

**Certification by the Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Phoenix New Media Limited (the "Company") on Form 20-F for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Betty Yip Ho, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2016

By: /s/ Betty Yip Ho
Name: Betty Yip Ho
Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No.333-200630, No.333-191177, No.333-177810) of Phoenix New Media Limited of our report dated April 28, 2016 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP

PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China

April 28, 2016



中倫律師事務所
ZHONG LUN LAW FIRM

上海市浦东新区世纪大道8号国金中心办公楼B座10&11层 邮政编码: 200120
Level 10&11, Two IFC, No. 8 Century Ave., Pudong New Area, Shanghai 200120, PRC
电话/ Tel: (8621) 6061 3666 传真/ Fax: (8621) 6061 3555
网址: <http://www.zhonglun.com>

April 28, 2016

Phoenix New Media Limited
Sinolight Plaza, Floor 16, No. 4, Qiyang Road
Wangjing, Chaoyang District
Beijing 100102
People's Republic of China

Dear Sir/Madam:

We consent to the reference to our firm under the headings of "Risk Factors" and "Regulatory Matters" in Phoenix New Media Limited's Annual Report on Form 20-F for year ended December 31, 2015, which will be filed with the Securities and Exchange Commission (the "SEC"). We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report on Form 20-F for the year ended December 31, 2015.

In giving such consent, we do not hereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Zhong Lun Law Firm
Zhong Lun Law Firm

□□ BEIJING · □□ SHANGHAI · □□ SHENZHEN · □□ GUANGZHOU · □□ WUHAN · □□ CHENGDU
□□ CHONGQING · □□ QINGDAO · □□ TOKYO · □□ HONG KONG · □□ LONDON · □□ NEWYORK