

Renren Inc.
Form F-1/A
May 04, 2011
Table of Contents

As filed with the Securities and Exchange Commission on May 4, 2011

Registration No. 333-173548

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

AMENDMENT NO. 6

TO

FORM F-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Renren Inc.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Edgar Filing: Renren Inc. - Form F-1/A

Cayman Islands (State or other jurisdiction of incorporation or organization)	8900 (Primary Standard Industrial Classification Code Number) 23/F, Jing An Center 8 North Third Ring Road East Beijing, 100028 The People's Republic of China +86 (10) 8448-1818	Not Applicable (I.R.S. Employer Identification Number)
--	--	---

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

Law Debenture Corporate Services Inc.

400 Madison Avenue, 4th Floor

New York, New York 10017

(212) 750-6474

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Z. Julie Gao, Esq.

Skadden, Arps, Slate, Meagher & Flom LLP

c/o 42/F, Edinburgh Tower, The Landmark

15 Queen's Road, Central

Hong Kong

+852 3740-4700

Alan Seem, Esq.

Shearman & Sterling LLP

12th Floor East Tower, Twin Towers

B-12 Jianguomenwai Dajie

Beijing, 100022 China

+86 (10) 5922-8000

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

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

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

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

Edgar Filing: Renren Inc. - Form F-1/A

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered ⁽¹⁾⁽²⁾	Proposed maximum offering price per share ⁽³⁾	Proposed maximum aggregate offering price ⁽²⁾⁽³⁾	Amount of registration fee ⁽⁴⁾
Class A Ordinary Shares, par value US\$0.001 per share ⁽¹⁾	183,195,000	US\$4.67	US\$854,910,000	US\$99,255.05

- (1) American depositary shares issuable upon deposit of the Class A ordinary shares registered hereby have been registered under a separate registration statement on Form F-6 (Registration No. 333-173515). Each American depositary share represents three Class A ordinary shares.
- (2) Includes 23,895,000 Class A ordinary shares that are issuable upon the exercise of the underwriters' option to purchase additional shares. Also includes Class A ordinary shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public. These Class A ordinary shares are not being registered for the purpose of sales outside the United States.
- (3) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(a) under the Securities Act of 1933.
- (4) Of which US\$77,986.11 was previously paid.
- The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. Neither we nor the selling shareholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and neither we nor the selling shareholders are soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (SUBJECT TO COMPLETION)

ISSUED May 4, 2011

53,100,000 American Depositary Shares**Renren Inc.****Representing 159,300,000 Class A Ordinary Shares**

This is an initial public offering of American depositary shares, or ADSs, of Renren Inc. Each ADS represents three Class A ordinary shares of Renren Inc., par value US\$0.001 per share. We are offering 42,898,711 ADSs, and the selling shareholders identified in this prospectus are offering 10,201,289 ADSs. We will not receive any of the proceeds from the ADSs sold by the selling shareholders. Prior to this offering, there has been no public market for our shares or ADSs. We anticipate the initial public offering price will be between US\$12.00 and US\$14.00 per ADS.

We have applied to have our ADSs listed on the New York Stock Exchange, or the NYSE, under the symbol RENN.

Investing in our ADSs involves a high degree of risk. See Risk Factors beginning on page 14.

PRICE US\$	PER ADS
-------------------	----------------

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us, Before Expenses	Proceeds to the Selling Shareholders
Per ADS	US\$	US\$	US\$	US\$
Total	US\$	US\$	US\$	US\$

The underwriters have an option to purchase up to 7,965,000 additional ADSs from us at the initial public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus, to cover over-allotments.

Immediately prior to the completion of this offering, our outstanding share capital will consist of Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes and is convertible into one Class A ordinary

Edgar Filing: Renren Inc. - Form F-1/A

share. Immediately after the completion of this offering, Mr. Joseph Chen, our founder, chairman and chief executive officer, and SB Pan Pacific Corporation, one of our existing major shareholders, will hold 270,258,970 and 135,129,480 Class B ordinary shares, respectively, which, together with the Class A ordinary shares they respectively hold, will represent 56.0% and 33.6%, respectively, of our aggregate voting power, assuming (i) the underwriters do not exercise their over-allotment option to purchase additional ADSs, and (ii) we will issue and sell a total of 25,384,612 Class A ordinary shares to a group of unrelated third-party investors through concurrent private placements, which number of shares has been calculated based on an initial public offering price of US\$13.00 per ADS, the midpoint of the estimated initial public offering price range set forth above.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on or about , 2011.

Morgan Stanley

Deutsche Bank Securities

Credit Suisse

BofA Merrill Lynch

Jefferies

Pacific Crest Securities

Oppenheimer & Co.

The date of this prospectus is , 2011.

Table of Contents

Table of Contents

Table of Contents

TABLE OF CONTENTS

	Page
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	14
<u>Special Note Regarding Forward-Looking Statements</u>	53
<u>Use of Proceeds</u>	54
<u>Dividend Policy</u>	55
<u>Capitalization</u>	56
<u>Dilution</u>	57
<u>Exchange Rate Information</u>	59
<u>Enforceability of Civil Liabilities</u>	60
<u>Corporate History and Structure</u>	61
<u>Selected Consolidated Financial Data</u>	68
<u>Recent Developments</u>	71
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	75
<u>Industry Background</u>	114
<u>Business</u>	119
<u>Regulation</u>	136
<u>Management</u>	159
<u>Principal and Selling Shareholders</u>	167
<u>Related Party Transactions</u>	170
<u>Description of Share Capital</u>	172
<u>Description of American Depositary Shares</u>	182
<u>Shares Eligible for Future Sale</u>	192
<u>Taxation</u>	194
<u>Underwriting</u>	201
<u>Expenses Relating to this Offering</u>	209
<u>Legal Matters</u>	210
<u>Experts</u>	211
<u>Additional Information</u>	212
<u>Conventions which Apply to this Prospectus</u>	213
<u>Index to Consolidated Financial Statements</u>	F-1

You should rely only on the information contained in this prospectus or in any related free-writing prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, the ADSs only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is current only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the ADSs.

We have not taken any action to permit a public offering of the ADSs outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the ADSs and the distribution of this prospectus outside the United States.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before deciding whether to invest in our ADSs, you should carefully read this entire prospectus, especially the risks of investing in our ADSs discussed under the heading Risk Factors.

Overview

We operate the leading real name social networking internet platform in China as measured by total page views and total user time spent on social networking websites in February 2011, based on data issued in March 2011 by iResearch. Our platform enables our users to connect and communicate with each other, share information and user-generated content, play online games, listen to music, shop for deals and enjoy a wide range of other features and services. We had approximately 117 million activated users as of March 31, 2011. Our goal is to continue to lead and define the internet social networking industry in China. To achieve this goal, we are focused on providing a highly engaging and interactive platform that promotes connectivity, communication and sharing among our users.

We believe our users are attracted to our large and highly engaged real name community, the broad range of rich communication features and functions on our real name social networking internet platform, our information and content-sharing features, and our offering of a variety of online games and other applications and services. Our platform includes renren.com, our main social networking website, game.renren.com, our online games center, nuomi.com, our social commerce website, and jingwei.com, our newly launched professional and business social networking service website. Our renren.com website is one of the largest social networking websites in China as measured by monthly unique visitors in February 2011, based on data issued in March 2011 by iResearch.

The quality of our user experience is reflected in the continued growth of our user base and their high level of engagement and interactivity on our platform. From January 2011 through March 2011, we added an average of approximately two million new activated users per month. Our users' high level of engagement with our platform is reflected in the amount of time our users spend on our platform, as well as their interactions through it. For example, from January 2011 through March 2011, our unique log-in users spent a monthly average of approximately seven hours on our platform, and our users collectively produced a daily average of approximately 40 million pieces of user-generated content, including approximately three million photos and 13 million status updates.

Our market leadership stems from our track record of innovation and our pioneering role in China's social networking service industry. We believe many features and functions that we introduced to the China market have improved the quality of our user experience and have subsequently become standard throughout the industry. For example, we believe renren.com was the first major social networking website in China to offer services like our Renren Open Platform program and Renren Connect program. Our Renren Open Platform program allows users to access high quality applications from third-party developers through our open application programming interface. Our Renren Connect program allows our users to sign in and share information and content from over 600 Renren Connect partner websites. In addition, in order to meet Chinese users' needs and preferences for instant notification and real time communication, we created our Renren Desktop client application, which we believe is unique among major global social networking websites. This application provides real time news feed updates while also facilitating instant messaging among our users.

We believe a key driver of our long-term success is the continued rapid introduction of new services and features that can leverage our existing platform and large user base. For example, the size of our existing

Table of Contents

renren.com user base allowed us to launch and quickly expand our social commerce services on nuomi.com, whose first social commerce offer in June 2010 resulted in purchases of over 150,000 pairs of movie tickets for a single movie theater complex in Beijing. Over 60% of nuomi.com's users are renren.com users. Nuomi.com became a leading social commerce website in China for 2010 according to a report published in January 2011 by China e-Business Research Center. More recently, we launched jingwei.com, a professional and business social networking service website, to further leverage our existing user base.

We currently generate revenues from online advertising and internet value-added services, or IVAS. Our IVAS revenues are comprised of online games revenues and other IVAS revenues, which include revenues we earn from merchants who offer services and products on nuomi.com, paid applications on our Renren Open Platform program and VIP memberships. Our total net revenues increased from US\$13.8 million in 2008 to US\$46.7 million in 2009 and to US\$76.5 million in 2010, representing a compound annual growth rate, or CAGR of 135.7% from 2008 to 2010. We had net income from continuing operations of US\$51.9 million, a net loss from continuing operations of US\$68.3 million and a net loss from continuing operations of US\$61.2 million in 2008, 2009 and 2010, respectively. Our net income and net losses from our continuing operations reflect the aggregate impact of non-cash items relating to the change in fair value of our then outstanding series D warrants, share-based compensation, amortization of intangible assets and impairment of intangible assets of US\$71.2 million in income in 2008, US\$71.3 million in expenses in 2009 and US\$78.6 million in expenses in 2010. All outstanding warrants to purchase series D preferred shares were exercised in December 2010.

Immediately prior to the completion of this offering, our ordinary shares will be divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A and Class B ordinary shares will have the same rights, including dividend rights, except that holders of Class A ordinary shares will be entitled to one vote per share, while holders of Class B ordinary shares will be entitled to ten votes per share, and Class B ordinary shares may be converted into the same number of Class A ordinary shares by the holders thereof at any time, while Class A ordinary shares cannot be converted into Class B ordinary shares under any circumstances. The ADSs being sold in this offering represent Class A ordinary shares. Immediately after the completion of this offering, Mr. Joseph Chen, our founder, chairman and chief executive officer, and SB Pan Pacific Corporation, one of our existing major shareholders, will hold 270,258,970 and 135,129,480 Class B ordinary shares, respectively, which, together with the Class A ordinary shares they respectively hold, will represent 56.0% and 33.6%, respectively, of our aggregate voting power, assuming (i) the underwriters do not exercise their over-allotment option to purchase additional ADSs, and (ii) we will issue and sell a total of 25,384,612 Class A ordinary shares to a group of unrelated third-party investors through concurrent private placements, which number of shares has been calculated based on an initial public offering price of US\$13.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus.

Due to PRC legal restrictions on foreign ownership and investment in value-added telecommunications services and advertising businesses in China, we operate our business primarily through Beijing Qianxiang Tiancheng Technology Development Co., Ltd., or Qianxiang Tiancheng, which is our consolidated affiliated entity in China, and its subsidiaries. We do not hold any equity interest in Qianxiang Tiancheng or its subsidiaries. However, through a series of contractual arrangements with Qianxiang Tiancheng and its shareholders, we effectively control, and are able to derive substantially all of the economic benefits from, Qianxiang Tiancheng and its subsidiaries.

Our Industry

Social networking internet services provide users with interactive platforms to share and consume various forms of media content. Earlier internet communities were based on anonymity, with users assuming aliases or virtual identities in their interactions with other users. However, we believe that as users have become more

Table of Contents

comfortable and trusting in their interactions with others over the internet, the real name model for social networking has become increasingly popular, both worldwide and, more recently, in China. By mirroring real life relationships, real name social networks provide benefits to users by facilitating personal communication and sharing among actual friends and to advertisers by facilitating word-of-mouth advertising among friends and offering targeted advertising based on user's preferences, personal traits and online activities. Social networking service providers can monetize their user base through multiple channels, including online advertising, online games, social commerce services and other IVAS.

In China, the popularity of social networking is driven by a massive addressable user base, the growing availability of internet access and favorable internet usage trends. China already has the largest internet user and mobile user populations in the world, and these user populations are forecasted to continue to grow rapidly. While social networking has already captured a considerable share of the time Chinese internet users spend online, there is still significant potential for future growth. Based on data issued in July 2010 by comScore Media Metrix, 38.4% of internet users in China engaged in online social networking as of April 2010, compared to 69.8% globally and 81.4% in the United States; and internet users in China spent 7.8% of their online time on social networking websites in April 2010, compared to 13.9% globally and 11.6% in the United States.

Our Competitive Strengths

We believe that the following strengths contribute to our success and differentiate us from our competitors:

largest real name social networking internet platform in China;

integrated platform consisting of multiple services and features;

highly engaged users;

rapid introduction of new features and services;

multiple established revenue sources;

large open platform that extends our reach; and

innovative and user-oriented culture.

Our Strategies

Our goal is to continue to lead and define the internet social networking industry in China. We intend to achieve our goal through implementing the following key strategies:

focusing on long-term success;

continually enhancing our user experience and engagement;

growing and broadening our user base;

leveraging our platform and brand to increase monetization;

growing mobile usage of our platform; and

pursuing strategic alliances and partnerships.

Table of Contents

Our Challenges

We expect to face risks and uncertainties related to our business and industry, including those relating to our ability to:

increase the size and level of engagement of our user base through innovation and provision of additional features, services and applications on our platform;

effectively respond to competition in all aspects of our business;

achieve and sustain operating profit, given our history of operating losses;

leverage our user base to expand into new services which we believe have synergies with our platform;

expand our nuomi.com social commerce services nationwide, which may result in significant financial losses to us;

increase our revenues from online advertising and IVAS;

capture and retain a significant portion of the growing number of users who accesses social networking and other internet services through mobile devices; and

maintain a strong brand image and avoid events that could cause negative publicity and harm our reputation.

In addition, we expect to face risks and uncertainties related to our corporate structure and doing business in China, including:

risks associated with our control over our consolidated affiliated entity and its subsidiaries, which is based on contractual arrangements rather than equity ownership; and

uncertainties associated with our compliance with applicable PRC regulations and policies, including those relating to our platform and our online games and social commerce services.

See **Risk Factors** and other information included in this prospectus for a discussion of these and other risks and uncertainties associated with our business and investing in our ADSs.

Corporate History and Structure

We began our operations in China in 2002 through Beijing Qianxiang Tiancheng Technology Development Co., Ltd., or Qianxiang Tiancheng, which has subsequently become one of our consolidated affiliated entities through the contractual arrangements described below.

CIAC/ChinaInterActiveCorp, or CIAC, was incorporated in August 2005 in the Cayman Islands. CIAC wholly owns Qianxiang Shiji Technology Development (Beijing) Co., Ltd., or Qianxiang Shiji, a company established in Beijing, China. Qianxiang Shiji operates our business in China through a series of contractual arrangements it has entered into with our consolidated affiliated entities.

Our current holding company, Renren Inc., was incorporated in February 2006 in the Cayman Islands under our prior name, Oak Pacific Interactive, or OPI. Through a corporate restructuring, in March 2006, CIAC's shareholders exchanged all of their outstanding ordinary and

Edgar Filing: Renren Inc. - Form F-1/A

preferred shares of CIAC for ordinary and preferred shares of OPI on a pro rata basis. As a result, OPI acquired all of the equity interests in CIAC and CIAC became a wholly owned subsidiary of OPI. In December 2010, we changed our corporate name from Oak Pacific Interactive to Renren Inc.

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

Table of Contents

PRC laws and regulations currently limit foreign ownership of companies that provide value-added telecommunications services. To comply with these restrictions, we conduct our operations in China principally through our consolidated affiliated entity, Qianxiang Tiancheng, which was established in China in October 2002, and its three wholly owned subsidiaries, namely (i) Beijing Qianxiang Wangjing Technology Development Co., Ltd., or Qianxiang Wangjing, (ii) Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd., or Qianxiang Changda, and (iii) Beijing Nuomi Wang Technology Development Co., Ltd., or Beijing Nuomi. Qianxiang Wangjing is the operator of our renren.com website and holds the licenses and permits necessary to conduct our real name social networking services, online advertising and online game business in China. Beijing Nuomi is the operator of our nuomi.com website and holds the licenses and permits necessary to conduct our social commerce services in China. Qianxiang Changda is an online advertising company that plans to apply for the licenses and permits necessary to conduct our online games and real name social networking services.

Table of Contents

The following diagram illustrates our anticipated shareholding, voting and corporate structure immediately after the completion of this offering, assuming (i) the underwriters do not exercise their over-allotment option to purchase additional ADSs, and (ii) we will issue and sell a total of 25,384,612 Class A ordinary shares to a group of unrelated third-party investors through concurrent private placements, which number of shares has been calculated based on an initial public offering price of US\$13.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus:

- (1) Consists of 270,258,970 Class B ordinary shares. Class B ordinary shares have the same rights as Class A ordinary shares except (i) in all matters subject to shareholder vote, Class B ordinary shares are entitled to ten votes whereas Class A ordinary shares are entitled to one vote, and (ii) conversion rights. For a description of Class A ordinary shares and Class B ordinary shares, see Description of Share Capital.

Table of Contents

- (2) Consists of 270,258,971 Class A ordinary shares and 135,129,480 Class B ordinary shares.
- (3) Qianxiang Tiancheng and its three wholly owned subsidiaries, Qianxiang Wangjing, Qianxiang Changda and Beijing Nuomi, are our consolidated affiliated entities in China. Qianxiang Tiancheng is 99% owned by Ms. Jing Yang, who is the wife of Mr. Joseph Chen, our founder, chairman and chief executive officer, and 1% owned by Mr. James Jian Liu, our director and chief operating officer. We effectively control Qianxiang Tiancheng and its three subsidiaries through contractual arrangements. See Corporate History and Structure.

Our wholly owned PRC subsidiary Qianxiang Shiji has entered into a series of contractual arrangements with Qianxiang Tiancheng and its shareholders, which enable us to:

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

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

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

We do not have equity interest in Qianxiang Tiancheng or its subsidiaries. However, as a result of these contractual arrangements, we are considered the primary beneficiary of Qianxiang Tiancheng and its subsidiaries and we treat them as our consolidated affiliated entities under generally accepted accounting principles in the United States, or U.S. GAAP. We have consolidated the financial results of these companies in our consolidated financial statements in accordance with U.S. GAAP. For a description of these contractual arrangements, see Corporate History and Structure. For a detailed description of the regulatory environment that necessitates the adoption of our corporate structure, see Regulation. For a detailed description of the risks associated with our corporate structure and the contractual arrangements that support our corporate structure, see Risk Factors Risks Related to Our Corporate Structure.

Corporate Information

Our principal executive offices are located at 23/F, Jing An Center, 8 North Third Ring Road East, Chao Yang District, Beijing, 100028, the People's Republic of China. Our telephone number at this address is +86 (10) 8448-1818. Our registered office in the Cayman Islands is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108 Cayman Islands. Our telephone number at this address is +1 (345) 949-4900. We also have offices in over 30 cities in China, including Shanghai, Guangzhou and Wuhan.

Investors should submit any inquiries to the address and telephone number of our principal executive offices set forth above. Our corporate website is www.renren-inc.com and the information contained on this website is not a part of this prospectus. Our agent for service of process in the United States is Law Debenture Corporate Services Inc.

Table of Contents

THE OFFERING

The following assumes that the underwriters will not exercise their over-allotment option to purchase additional ADSs in this offering, unless otherwise indicated.

ADSs offered by us	42,898,711 ADSs.
ADSs offered by the selling shareholders	10,201,289 ADSs.
Total ADSs offered	53,100,000 ADSs.
Price per ADS	We currently expect that the initial public offering price will be between US\$12.00 and US\$14.00 per ADS.
ADSs to Class A ordinary share ratio	Each ADS represents three Class A ordinary shares.
ADSs outstanding immediately after this offering	53,100,000 ADSs (or 61,065,000 ADSs, if the underwriters exercise in full their over-allotment option to purchase additional ADSs).
Concurrent Private Placements	Concurrently with, and subject to, the completion of this offering, a group of unrelated third-party investors consisting of entities affiliated with Alibaba Group, China Media Capital and CITIC Securities, respectively, all of which are non-US entities, have agreed to purchase from us, severally but not jointly, an aggregate of US\$110 million in Class A ordinary shares at a price per share equal to the initial public offering price adjusted to reflect the ADS-to-ordinary share ratio. Assuming an initial offering price of US\$13.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus, these investors will purchase a total of 25,384,612 Class A ordinary shares from us. Our proposed issuance and sale of Class A ordinary shares to these investors are being made through private placements pursuant to an exemption from registration with the U.S. Securities and Exchange Commission under Regulation S of the Securities Act. Under the subscription agreement executed on April 15, 2011, the completion of this offering is the only substantive closing condition precedent for the concurrent private placements and if this offering is completed, the concurrent private placements will be completed concurrently. All of these investors have agreed with the underwriters not to, directly or indirectly, sell, transfer or dispose of any Class A ordinary shares acquired in the private placements for a period of 180 days after the date of this prospectus, subject to certain exceptions.
Ordinary shares outstanding immediately after this offering	1,177,602,715 shares, comprised of (i) 772,214,265 Class A ordinary shares (including 25,384,612 Class A ordinary shares we will issue in private placements concurrently with this offering, which number of shares has been calculated based on an initial offering price of

Table of Contents

US\$13.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus) and (ii) 405,388,450 Class B ordinary shares.

The ADSs

The depositary will hold the Class A ordinary shares underlying your ADSs and you will have rights as provided in the deposit agreement.

We do not expect to pay dividends in the foreseeable future. If, however, we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our ordinary shares, after deducting its fees and expenses.

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

We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended.

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

Ordinary shares

Immediately prior to the completion of this offering, our ordinary shares will consist of Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights, including dividend rights, except for voting and conversion rights. In respect of matters requiring shareholder approval, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes. Each Class B ordinary share 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 circumstance. Class B ordinary shares will automatically convert into the same number of Class A ordinary shares under certain circumstances. For a description of Class A ordinary shares and Class B ordinary shares, see [Description of Share Capital](#).

Option to purchase additional ADSs

We have granted to the underwriters an option, exercisable within 30 days from the date of this prospectus, to purchase up to an additional 7,965,000 ADSs to cover over-allotments.

Reserved ADSs

At our request, the underwriters have reserved for sale, at the initial public offering price, up to an aggregate of 3,717,000 ADSs offered in this offering to some of our directors, officers, employees, business associates and related persons through a directed share program.

Table of Contents

Use of proceeds

We expect that we will receive net proceeds of approximately US\$628.8 million from this offering and the concurrent private placements, or US\$726.1 million if the underwriters exercise in full their over-allotment option to purchase additional ADSs, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, assuming an initial public offering price of US\$13.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus. We intend to use the net proceeds from this offering and the concurrent private placements as follows: (i) approximately US\$180 million for investing in our technology and research and development activities; (ii) approximately US\$180 million for expanding our sales and marketing activities; and (iii) the balance for other general corporate purposes, including potential strategic acquisitions and investments. See [Use of Proceeds](#) for more information.

We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.

NYSE symbol

RENN

Depository

Citibank, N.A.

Lock-up

We, our directors and executive officers, and our principal existing shareholders have agreed with the underwriters not to sell, transfer or dispose of any ADSs, ordinary shares or similar securities for a period of 180 days after the date of this prospectus. In addition, we have instructed Citibank, N.A., as depository, not to accept any deposit of ordinary shares or issue any ADSs for 180 days after the date of this prospectus (other than in connection with this offering), unless we otherwise instruct the depository with the prior written consent of the representatives of the underwriters. See [Underwriting](#).

Risk factors

See [Risk Factors](#) and other information included in this prospectus for a discussion of risks you should carefully consider before investing in our ADSs.

The number of ordinary shares that will be outstanding immediately after this offering:

is based upon 1,023,521,970 ordinary shares outstanding as of the date of this prospectus, assuming the conversion of all outstanding preferred shares into 725,668,320 ordinary shares immediately upon the completion of this offering;

excludes 51,683,790 ordinary shares issuable upon the exercise of share options outstanding as of the date of this prospectus, at a weighted average exercise price of US\$0.61 per share;

includes 26,098,810 restricted ordinary shares (i.e. ordinary shares issued but unvested) as of the date of this prospectus; and

excludes 67,782,628 ordinary shares reserved for future issuances under our equity incentive plans.

Table of Contents**SUMMARY CONSOLIDATED FINANCIAL DATA**

The following summary consolidated statement of operations data for the years ended December 31, 2008, 2009 and 2010 and the summary consolidated balance sheet data as of December 31, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our balance sheet data as of December 31, 2008 has been derived from our audited financial statements not included elsewhere in this prospectus. You should read this summary consolidated financial data together with our consolidated financial statements and the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

	Year ended December 31,		
	2008	2009	2010
	(in thousands of US\$, except for share, per share and per ADS data)		
Summary Consolidated Statement of Operations Data:			
Net revenues	\$ 13,782	\$ 46,684	\$76,535
Cost of revenues	5,667	10,379	16,624
Gross profit	8,115	36,305	59,911
Operating expenses ⁽¹⁾ :			
Selling and marketing	7,111	19,375	20,281
Research and development	4,921	12,937	23,699
General and administrative	4,045	6,510	7,511
Impairment of intangible assets		211	739
Total operating expenses	16,077	39,033	52,230
(Loss) gain from operations	(7,962)	(2,728)	7,681
Change in fair value of warrants	72,875	(68,184)	(74,364)
Exchange (loss) gain on dual currency deposit	(12,908)	1,673	3,781
Interest income	801	288	335
Realized gain on marketable securities		755	
Gain on disposal of cost of method investment			40
Impairment of cost method investment	(350)		
Income (loss) before provision for income tax and loss in equity method investment, net of income taxes	52,456	(68,196)	(62,527)
Income tax (expenses) benefit	(523)	31	1,332
Income (loss) before loss in equity method investment, net of income taxes	51,933	(68,165)	(61,195)
Losses in equity method investment, net of income taxes	(41)	(102)	
Income (loss) from continuing operations	51,892	(68,267)	(61,195)
Discontinued operations:			
Loss from discontinued operations, net of tax	(2,740)	(2,481)	(4,301)
Gain on disposal of discontinued operations, net of tax		633	1,341
Loss on discontinued operations, net of tax	(2,740)	(1,848)	(2,960)
Net income (loss)	49,152	(70,115)	(64,155)
Add: Net loss attributable to the noncontrolling interest	185		
Net income (loss) attributable to Renren Inc.	\$ 49,337	\$ (70,115)	\$(64,155)
Net income (loss) per share:			
Income (loss) from continuing operations per share attributable to Renren Inc. shareholders:			
Basic	\$ 0.00	\$ (0.34)	\$ (0.30)

Edgar Filing: Renren Inc. - Form F-1/A

Diluted	\$	0.00	\$	(0.34)	\$	(0.30)
---------	----	------	----	--------	----	--------

Loss from discontinued operations per share attributable to Renren Inc. shareholders:

Basic	\$	(0.01)	\$	(0.01)	\$	(0.01)
Diluted	\$	(0.01)	\$	(0.01)	\$	(0.01)

Net loss per share attributable to Renren Inc. shareholders:

Basic	\$	(0.01)	\$	(0.35)	\$	(0.31)
Diluted	\$	(0.01)	\$	(0.35)	\$	(0.31)

Net loss per ADS⁽²⁾:

Basic	\$	(0.02)	\$	(1.03)	\$	(0.94)
Diluted	\$	(0.02)	\$	(1.03)	\$	(0.94)

Weighted average number of shares used in calculating net income (loss) per ordinary share:

Basic	247,587,070	250,730,367	244,613,530
Diluted	251,533,130	250,730,367	244,613,530

Table of Contents

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

	2008	Year ended December 31, 2009		2010
		(in thousands of US\$)		
Allocation of Share-based Compensation Expenses:				
Selling and marketing	\$ 79	\$ 78		\$ 121
Research and development	176	232		572
General and administrative	977	1,946		2,105
Total share-based compensation expenses	\$ 1,232	\$ 2,256		\$ 2,798

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

	2008	2009	As of December 31,		
			2010		
			Actual	Pro forma ⁽¹⁾	Pro forma as adjusted ⁽²⁾
	(in thousands of US\$)				
Summary Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 51,424	\$ 90,376	\$ 136,063	\$ 136,063	\$ 764,875
Short-term investments	14,369	36,369	62,318	62,318	62,318
Accounts receivable, net	5,991	14,362	12,815	12,815	12,815
Warrants-asset	63,710				
Total current assets	138,011	147,409	437,519	437,519	1,066,331
Total assets	165,244	179,122	456,474	456,474	1,085,286
Warrants-liability		21,481			
Total current liabilities	9,640	40,769	25,391	25,391	25,391
Total liabilities	10,881	41,706	25,907	25,907	25,907
Series C convertible redeemable preferred shares	36,764	28,520	28,520		
Series D convertible redeemable preferred shares	130,000	193,398	571,439		
Total equity (deficit)	\$ (12,401)	\$ (84,502)	\$ (169,392)	\$ 430,567	\$ 1,059,379

Notes:

- (1) Our consolidated balance sheet data as of December 31, 2010 on a pro forma basis reflects (i) the automatic conversion of all of our issued and outstanding preferred shares into ordinary shares immediately prior to the completion of this offering and (ii) the redesignation of our ordinary shares into Class A ordinary shares and Class B ordinary shares immediately prior to the completion of this offering.
- (2) Our consolidated balance sheet data as of December 31, 2010 on a pro forma as adjusted basis reflects (a) the automatic conversion of all of our issued and outstanding preferred shares into ordinary shares upon the closing of this offering; (b) the net proceeds we will receive in this offering, and (c) the net proceeds we will receive from our issuance and sale of Class A ordinary shares to a group of third-party investors through concurrent private placements, in each of (b) and (c) above, assuming an initial offering price of US\$13.00 per ADS (equivalent to US\$4.33 per Class A ordinary share), the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus.

Non-GAAP Financial Measure

To supplement income (loss) from continuing operations presented in accordance with U.S. GAAP, we use adjusted net income (loss) as a non-GAAP financial measure. We define adjusted net income (loss) as income (loss) from continuing operations excluding share-based compensation expenses, change in fair value of warrants, amortization of intangible assets and impairment of intangible assets. We present this non-GAAP financial measure because it is used by our management to evaluate our operating performance, in addition to income (loss) from continuing operations prepared in accordance with U.S. GAAP. We also believe it is useful supplemental information for investors and analysts to assess our operating performance without the effect of

Table of Contents

non-cash share-based compensation expenses, change in fair value of warrants, amortization of intangible assets and impairment of intangible assets. Pursuant to U.S. GAAP, we recognized the change in fair value of the then outstanding series D warrants in the statement of operations for the periods presented. All outstanding warrants to purchase series D preferred shares were exercised in December 2010.

The use of adjusted net income (loss) has material limitations as an analytical tool. One of the limitations of using this non-GAAP financial measure is that it does not include share-based compensation expenses, which have been and will continue to be significant recurring factors in our business. In addition, although amortization is a non-cash charge, the assets being amortized often will have to be replaced in the future, and adjusted net income (loss) does not reflect any cash requirements for such replacements. Furthermore, because adjusted net income (loss) is not calculated in the same manner by all companies, it may not be comparable to other similar titled measures used by other companies. In light of the foregoing limitations, you should not consider adjusted net income (loss) as a substitute for or superior to income (loss) from continuing operations prepared in accordance with U.S. GAAP. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The following table sets forth the calculation of our adjusted net income (loss), which is determined by adding back to our income (loss) from continuing operations presented in accordance with U.S. GAAP (i) share-based compensation expenses, (ii) change in fair value of warrants, (iii) amortization of intangible assets and (iv) impairment of intangible assets.

	2008	Year ended December 31, 2009 (in thousands of US\$)	2010
Income (loss) from continuing operations	\$ 51,892	\$ (68,267)	\$ (61,195)
Add back: share-based compensation expenses	1,232	2,256	2,798
Add back: change in fair value of warrants	(72,875)	68,184	74,364
Add back: amortization of intangible assets	412	608	673
Add back: impairment of intangible assets		211	739
Adjusted net income/(loss)	\$ (19,339)	\$ 2,992	\$ 17,379

Table of Contents

RISK FACTORS

An investment in our ADSs involves significant risks. You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our ADSs. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our ADSs could decline, and you may lose all or part of your investment.

Risks Related to Our Business and Industry

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

Our success depends on our ability to grow our user base and keep our users highly engaged on our platform, which we refer to as our SNS platform. In order to attract and retain users and compete against our direct competitors and other channels for communication, sharing and entertainment over the internet, we must continue to innovate and introduce services and applications that our users find enjoyable and cause them to return to our SNS platform more frequently and for longer durations. For example, we must continue to develop new functions and features on our SNS platform that appeal to users, develop or acquire licenses to popular online games, and offer social commerce deals that are attractive to our users. The popularity of social networking websites, online games, social commerce and other internet services is difficult to predict, and we cannot be certain that the services we offer will continue to be popular with our users or sufficiently successful to offset the costs incurred to offer these services. Given that we operate in the emerging and rapidly evolving social networking industry in China, we need to continuously anticipate user preferences and industry changes and respond to such changes in a timely and effective manner. If we fail to anticipate and meet the needs of our users, the size and engagement level of our user base may decrease. Furthermore, because of the viral nature of social networking, users may leave our website for competitor websites more quickly than in other online sectors, despite the fact that it would be time-consuming for them to restart the process of establishing connections with friends and post photos and other content on another website. A decrease in the number of our users would render our platform less attractive to advertisers and users and may decrease our advertising and IVAS revenues, which may have a material and adverse effect on our business, financial condition and results of operations.

In addition, we believe the new services we may pursue will depend upon our ability to maintain and increase the user base for our SNS platform, the level of user engagement on our platform and the stickiness of our platform. For example, over 60% of the users of our nuomi.com social commerce website are users of renren.com. Similarly, revenues from our online games depend on the continued success of our SNS platform, as many of our game players access our games from renren.com. If we are unable to maintain or increase the size and level of engagement of our user base for our SNS platform, the performance of our new services may be materially and adversely affected.

We face significant competition in almost every aspect of our business. If we fail to compete effectively, we may lose users to competitors, which could materially and adversely affect our ability to maintain and increase revenues from online advertising and IVAS.

We face significant competition in almost every aspect of our business, particularly from companies that provide social networking, internet communication, online games, search functions and/or other products and services, such as Tencent, Inc., kaixin001.com and SINA Corporation. We also compete for online advertising revenues with other websites that sell online advertising services in China. In addition, we indirectly compete for advertising budgets with traditional advertising media in China, such as television and radio stations, newspapers and magazines, and major out-of-home media. Some of our competitors may have longer operating histories and significantly greater financial, technical and marketing resources than we do, and in turn may have an advantage in attracting and retaining users and advertisers. In addition, some of our competitors have significantly larger

Table of Contents

user bases and more established brand names and may be able to effectively leverage their user bases and brand names to provide integrated internet communication, online games, social networking and other products and services, and increase their respective market shares.

We may also face potential competition from global social networking service providers that seek to enter the China market. We believe that PRC social networking websites, including us, are likely to have a competitive advantage over international competitors entering the China market, as these companies, so far, are likely to lack operational infrastructure in China and content localization experience, and the websites of some global social networking service providers, such as Facebook, are currently not accessible in the PRC. We cannot assure you, however, that this competitive advantage will continue to exist, particularly if international competitors such as Facebook form alliances with or acquire PRC domestic internet companies, or otherwise enter the China market.

Our social commerce services face intense competition from the rapidly growing number of social commerce service providers in China, including lashou.com, meituan.com and dianping.com. Leading international social commerce service providers, such as Groupon, Inc., are also expanding into the China market. In addition, some other leading Chinese internet companies have announced the launch of social commerce offerings. The social commerce industry in China has become extremely competitive, and some of our competitors are adopting aggressive measures to increase their market share. We may not be able to compete effectively to maintain or increase our market share.

If we are not able to effectively compete, our user base and level of user engagement may decrease, which could make us less attractive to advertisers and materially and adversely affect our ability to maintain and increase revenues from online advertising, and which may also reduce the number of paying users that purchase our IVAS. Similarly, we may be required to spend additional resources to further increase our brand recognition and promote our services in order to compete effectively, especially with respect to marketing of our social commerce and other new services to capture market share, which could adversely affect our profitability. Furthermore, if we are involved in disputes with any of our competitors that result in negative publicity regarding our services, such disputes, regardless of their veracity or outcome, may harm our brand image and in turn result in a decreased number of users. In addition, any legal proceedings or measures we take in response to such disputes may be expensive, time-consuming and disruptive to our operations and divert our management's attention.

If we do not successfully expand into new services for our platform, our future results of operations and growth prospects may be materially and adversely affected.

The core of our business has been providing a real name SNS platform and deriving advertising revenues from advertisements displayed on our platform. In recent years, in an effort to meet the expanding needs of our users while diversifying our revenue sources, we have leveraged our large and growing user base to launch new services which we believe have synergies with our SNS platform, such as online games, social commerce and our newly launched professional and business social networking service website. However, the social commerce business model is new and unproven and the online games industry may not grow at the same rate as in the past. Furthermore, expansions into new services may present operating and marketing challenges that are different from those that we currently encounter. For each new service we offer, we face competition from many large and established market participants, and in the case of social commerce service, from many other players who are investing significantly in this business. If we cannot successfully address the new challenges and compete effectively in our new services, we may not be able to develop a sufficiently large user base, recover costs incurred for developing and marketing new services, or achieve profitability from these services, and our future results of operations and growth prospects may be materially and adversely affected.

Table of Contents

Our social commerce services entail many aspects that are not a part of our other services and with which we have little or no experience.

Our social commerce services require us to engage in activities that have not been a substantial part of our other services, and with which we have little or no experience. For example, in order to arrange high quality social commerce deals for each day in each location covered by nuomi.com, we have introduced local sales teams, who work directly with local merchants or event organizers seeking to target users in a specific city or region, and we may not be able to effectively manage these local sales teams. If we fail to perform in these aspects of our social commerce services with which we have little or no experience, our social commerce services and its prospects may be materially and adversely affected.

We plan to invest significantly in the nationwide expansion of our social commerce services and we may not be successful in this new endeavor, which could adversely affect our results of operations and financial condition.

Since June 2010, we have provided social commerce services through nuomi.com. We plan to invest significantly in the nationwide expansion of our social commerce services. As a result of the short history of the social commerce industry in China, its potentially volatile growth, and the various measures being implemented by social commerce service providers attempting to establish themselves in the industry, our ability to successfully implement our nationwide expansion strategy is subject to various risks and uncertainties, including:

our ability to compete effectively with the increasing number of social commerce service providers;

the significant investments required to promote and improve our services to users;

the significant investments required to market and demonstrate the value of our social commerce services to merchants;

our ability to maintain our reputation and brand in the social commerce service industry; and

uncertainties regarding the evolution of the PRC laws and regulations applicable to the social commerce industry, including with respect to business tax obligations.

If we are unable to manage these risks and successfully implement our expansion plans, our future results of operations and financial condition may be adversely affected.

The business opportunities for SNS, online games, social commerce and other internet services in China are continuously evolving and may not grow as quickly as expected, in ways that are consistent with other markets, or at all.

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

Table of Contents

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

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

We have experienced net losses in the past, and you should consider our prospects in light of the risks and uncertainties fast-growing companies in evolving industries with limited operating histories, such as ours, may be exposed to or encounter.

We had net income from continuing operations of US\$51.9 million, a net loss from continuing operations of US\$68.3 million and a net loss from continuing operations of US\$61.2 million in 2008, 2009 and 2010, respectively. Our net income and net losses from our continuing operations reflect the aggregate impact of non-cash items relating to the change in fair value of our then outstanding series D warrants, share-based compensation, amortization of intangible assets and impairment of intangible assets of US\$71.2 million in income in 2008, US\$71.3 million in expenses in 2009 and US\$78.6 million in expenses in 2010. All outstanding warrants to purchase series D preferred shares were exercised in December 2010. In addition to the aggregate impact of these non-cash items, our results of operations for the past three years were affected by costs and expenses required to build, operate and expand our SNS platform, grow our user base, promote our Renren brand, develop our own products and services, license third-party products and applications, and make strategic investments. We expect that we will continue to incur research and development, marketing and other costs to launch new services and grow our user and advertiser bases.

Our ability to achieve profitability is affected by various factors, some of which are beyond our control. For example, our revenues and profitability depend on the continuous development of the online advertising industry in China and advertisers' allocation of more of their budgets to SNS websites. We cannot assure you that online advertising will become more widely accepted in China or that advertisers will increase their spending on SNS websites. In addition, the success of our online games depends on our ability to internally develop or license from third parties games that are attractive to our user base. Furthermore, the success of our social commerce services depends on our ability to maintain and grow our user and merchant base while earning commissions from merchants that offer attractive discounts to the users of our nuomi.com website, and as competition in China's social commerce intensifies, we may choose to invest heavily in our nuomi.com services to gain market share, which may result in substantial losses for us. We may continue to incur net losses in the future and you should consider our future prospects in light of the risks and uncertainties experienced by early stage companies in evolving industries such as the SNS, online games and social commerce industries in China.

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

In 2008, 2009 and 2010, online advertising accounted for 49.2%, 39.4% and 41.8%, respectively, of our total net revenues. Consequently, our profitability and prospects depend on the continuous development of the online advertising industry and advertisers' allocation of an increasing portion of their budgets to social

Table of Contents

networking websites in China. However, the internet penetration rate in China is relatively low as compared to most developed countries, and many advertisers in China have limited experience with online advertising and have historically allocated a small portion of their advertising budgets to online advertising. Advertising on social networking websites is an even newer marketing channel in China, and those companies which are willing to begin advertising online may decide to utilize more established methods or channels for online advertising, such as the more established Chinese internet portals or search engines. Advertisers' willingness to advertise on our SNS platform may be affected by a number of factors, some of which are beyond our control, including:

our ability to develop a larger and more engaged user base for our SNS platform with demographic characteristics that are more attractive to advertisers;

acceptance of advertising online in general and SNS platforms in particular as an effective marketing channel;

our development of tailored advertising solutions to meet advertisers' needs; and

changes in government regulations or policies affecting the online advertising industry or the social networking industry in China. We also may be unable to respond adequately to changing trends in online advertising or advertiser demands or preferences or keep up with technological innovation and improvements in the measurement of user traffic and online advertising. If the online advertising market size does not increase from current levels or we are unable to capture and retain a sufficient share of that market, our ability to maintain or increase our current level of online advertising revenues, and our profitability and prospects could be materially and adversely affected.

If we are unable to successfully capture and retain a significant portion of the growing number of users that accesses social networking and other internet services through mobile devices, we may lose users, which may have a material adverse effect on our business, financial condition and results of operations.

Our real name SNS platform is now accessible to users from any internet-enabled device, and we offer versions of our services and client applications that have been optimized for mobile device operating systems, including for iPhone, Android and Symbian. An important element of our strategy is to continue to develop new mobile applications to capture a greater share of the growing number of users that access social networking, online games, social commerce and other internet services through smart phones and other mobile devices. The lower resolution, functionality, and memory associated with some mobile devices make the use of our products and services through such devices more difficult and the versions of our products and services we develop for these devices may fail to prove compelling to users, manufacturers or distributors of alternative devices. Manufacturers or distributors may establish unique technical standards for their devices, and our products and services may not work or be viewable on these devices as a result. As new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on these devices and we may need to devote significant resources to the creation, support, and maintenance of such services. Furthermore, new social networking services may emerge which are specifically created to function on mobile platforms, as compared to our SNS platform that was originally designed to be accessed through personal computers, or PCs, and such new services may operate more effectively through mobile devices than our own. If we are unable to attract and retain a substantial number of mobile device users to our products and services, or if we are slower than our competitors in developing attractive services that are adapted for such devices, we may fail to capture a significant share of an increasingly important portion of the market for our services or lose existing users, either of which may have a material adverse effect on our business, financial condition and results of operations.

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

We believe that maintaining and enhancing our Renren, Nuomi and other brands is of significant importance to the success of our business. Well-recognized brands are critical to increasing the number and the level of

Table of Contents

engagement of our users and, in turn, enhancing our attractiveness to advertisers. Since we operate in a highly competitive market, maintaining and enhancing our brands directly affects our ability to maintain our market position.

Historically, with our large and growing user base, our broad range of rich communication features and functions, our information and content-sharing features, and our portfolio of online games and other services and applications, we have developed our reputation and established our leading market position in the social networking industry in China by providing our users with a superior online experience. As a company with a limited operating history in our current business, we have conducted and may continue to conduct various marketing and brand promotion activities, both through cooperation with our business partners and through more traditional methods, such as television advertisements. We cannot assure you, however, that these activities will be successful or that we will be able to achieve the brand promotion effect we expect. In addition, any negative publicity in relation to our services or products, regardless of its veracity, could harm our brands and the perception of our brands in the market.

We have received in the past and expect to continue to receive complaints from users, including users of our nuomi.com website regarding the quality or availability of the products, services and events offered on nuomi.com by the various merchants with whom we contract. The responsibility to users for the quality and availability of products, services and events offered on nuomi.com is borne by the merchants, not by us. However, regardless of which party bears such legal responsibility, if our users' complaints are not addressed to their satisfaction, our reputation and our market position could be significantly harmed, which may materially and adversely affect our business and prospects.

We may not be able to manage our expansion effectively.

We have experienced rapid growth in our business in recent years. The number of renren.com's activated users increased from approximately 33 million as of December 31, 2008 to approximately 110 million as of December 31, 2010, and our monthly unique log-in users increased from approximately 17 million in December 2008 to approximately 26 million in December 2010. In March 2011, we had approximately 31 million monthly unique log-in users. In addition, the number of our employees grew rapidly from 791 as of December 31, 2008 to 1,570 as of December 31, 2010. We expect to continue to grow our user base and our business operations. Our rapid expansion may expose us to new challenges and risks. To manage the further expansion of our business and the expected growth of our operations and the number of our research and development, sales and other personnel, we need to continuously expand and enhance our infrastructure and technology, and improve our operational and financial systems, procedures and controls. We also need to train, manage and motivate our growing employee base. In addition, we need to maintain and expand our relationships with advertisers, advertising agencies, Renren Connect partner websites, third-party developers of online games and applications offered on our platform, merchants for our nuomi.com services and other third parties. We cannot assure you that our current and planned personnel, infrastructure, systems, procedures and controls will be adequate to support our expanding operations. If we fail to manage our expansions effectively, our business, results of operations and prospects may be materially and adversely affected.

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

The PRC government has adopted regulations governing internet access and the distribution of information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent or defamatory. Furthermore, internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as socially destabilizing or leaking state secrets of the PRC. Failure to comply with these requirements may result in the revocation of licenses to provide internet content and other

Table of Contents

licenses, the closure of the concerned websites and reputational harm. The website operator may also be held liable for such censored information displayed on or linked to their website. For a detailed discussion, see Regulation Regulations on Value-Added Telecommunications Services, Regulation Regulations on Internet Content Services and Regulation Regulations on Information Security and Censorship.

Through our SNS platform, we allow users to upload written materials, images, pictures and other content on our platform, including via message boards, blogs, email, chat rooms, or image-sharing webpages, and also allow users to share, link to and otherwise access audio, video and other content from other websites through our platform, including through hypertext links, news feeds, Renren Like, Renren Share and our Renren Connect program. In addition, we allow users to download, share and otherwise access games and other applications on and through our platform, including through our online games center and Renren Open Platform program. For a description of how content can be accessed on or through our SNS platform, and what measures we take to lessen the likelihood that we will be held liable for the nature of such content, see

Business Technology and Infrastructure Anti-spamming and other filtering systems and Risks Related to Our Business and Industry We have been and may continue to be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to our websites, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.

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

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

Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation and operating results. As of March 31, 2011, our platform had accumulated a total of approximately 2.9 billion photos, 249 million blogs and 20.8 billion comments or reviews. We apply strict management and protection to any information provided by users, and under our privacy policy, without our users' prior consent, we will not provide any of our users' personal information to any unrelated third party. While we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, and could damage our reputation. User and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is shared with advertisers, IVAS providers or others may adversely affect our ability to share certain data with advertisers, which may limit certain methods of targeted advertising. Concerns about the security of personal data could also lead to a decline in general internet usage, which could lead to lower user traffic on our platform. A significant reduction in user traffic could lead to lower advertising revenues or lower IVAS revenues, which could have a material adverse effect on our business, financial condition and results of operations.

Table of Contents

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

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

A significant barrier to financial transactions or other electronic payment processing platforms over the internet in general has been public concern over the security of online payments. If these concerns are not adequately addressed, they may inhibit the growth of paid online services generally. In 2010, 58.2% of our total net revenues were derived from IVAS, which users purchase using bank cards, SMS and mobile payment and other payment methods, and we plan to increase this percentage in the future. If a well-publicized internet or mobile network breach of security were to occur, the perceived security of the online payment systems may be damaged, and users concerned about the security of their transactions may become reluctant to purchase our IVAS even if the publicized breach did not involve payment platforms or methods used by us.

If any of the above were to occur and damage our reputation or the perceived security of the online payment systems that we use, we may lose users and user traffic, and users may be discouraged from purchasing our IVAS, which may have an adverse effect on our business. Any significant reduction in user traffic could lead to lower advertising revenues or lower IVAS revenues.

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

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

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

Table of Contents

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

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

As the social commerce service industry is at an early stage of development in China, it is unclear whether these PRC advertising laws and regulations or similar laws or regulations apply or will apply to our social commerce services.

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

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

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

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

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

In addition, a significant portion of our IVAS revenues are generated from online games and applications developed by third parties, and if we are unable to obtain or renew licenses to such games or attract application developers to our platform, we could be required to devote greater resources and time to develop attractive games and applications on our own or license new games and applications from other parties.

If the third parties on which we rely fail to provide their services effectively, terminate their service or license agreements or discontinue their relationships with us, we could suffer service interruptions, reduced

Table of Contents

revenues or increased costs, any of which may have a material adverse effect on our business, financial condition and results of operations. Certain third-party service providers could be difficult and costly to replace, and any disruption to the provision of these services to us may have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

Our ability to provide our users with a high quality online experience depends on the continuing operation and scalability of our network infrastructure and information technology systems. The risks we face in this area include:

our systems are potentially vulnerable to damage or interruption as a result of earthquakes, floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses, hacking and similar events;

we may encounter problems when upgrading our systems or services and undetected programming errors could adversely affect the performance of the software we use to provide our services. The development and implementation of software upgrades and other improvements to our internet services is a complex process, and issues not identified during pre-launch testing of new services may only become evident when such services are made available to our entire user base; and

we rely on servers, data centers and other network facilities provided by third parties, and the limited availability of third-party providers with sufficient capacity to house additional network facilities and broadband capacity in China may lead to higher costs or limit our ability to offer certain services or expand our business. In particular, electricity, temperature control or other failures at the data centers we use may adversely affect the operation of our servers or result in service interruptions or data loss.

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

Table of Contents

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

Internet, technology and media companies are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties' rights. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes more common in China in resolving commercial disputes, we face a higher risk of being the subject of intellectual property infringement claims.

We allow users to upload written materials, images, pictures and other content on our platform and download, share, link to and otherwise access games and applications (some of which are developed by third parties) as well as audio, video and other content either on our platform or from other websites through our platform. We have procedures designed to reduce the likelihood that content might be used without proper licenses or third-party consents. See [Business Technology and Infrastructure Anti-spamming and other filtering systems](#). However, these procedures may not be effective in preventing the unauthorized posting of copyrighted content.

With respect to games and applications developed by third parties, we have procedures designed to reduce the likelihood of infringement. However, such procedures might not be effective in preventing third-party games and applications from infringing other parties' rights. We have and may continue to face liability for copyright or trademark infringement, defamation, unfair competition, libel, negligence, and other claims based on the nature and content of the materials that are delivered, shared or otherwise accessed through our services or published on our websites. See [Regulation Regulations on Intellectual Property Rights](#).

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

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

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

Table of Contents

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

We rely on a combination of monitoring and enforcement of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and procedures, to protect our intellectual property rights. Despite our precautions, third parties may obtain and use without our authorization our intellectual property, which includes trademarks related to our brands, products and services, patent applications, registered domain names, copyrights in software and creative content, trade secrets and other intellectual property rights and licenses. Historically, the legal system and courts of the PRC have not protected intellectual property rights to the same extent as the legal system and courts of the United States, and companies operating in the PRC continue to face an increased risk of intellectual property infringement. Furthermore, the validity, application, enforceability and scope of protection of intellectual property rights for many internet-related activities, such as internet commercial methods patents, are uncertain and still evolving in China and abroad, which may make it more difficult for us to protect our intellectual property, and could have a material adverse effect on our business, financial condition and results of operations. For example, other companies have in the past copied the concepts, the look and feel and even material parts of the online games that we have developed. In such instances, we have filed and may in the future from time to time file lawsuits for copyright infringement.

If we are unable to successfully develop and source new online games, our business prospects, financial condition and results of operations may be materially and adversely affected.

We have a diverse and attractive portfolio of games that have synergies with our renren.com user base. Our net revenues from online games accounted for 45.5%, 50.5% and 45.0% of our total net revenues in 2008, 2009 and 2010, respectively. As a result, we must continue to develop and source new online games that appeal to our game players. We develop and source new online games through our multi-channel strategy, including in-house development, licensing games from third parties and our Renren Open Platform program. Our ability to develop successful new online games in-house will largely depend on our ability to (i) anticipate and effectively respond to changing game player interests and preferences and technological advances in a timely manner, (ii) attract, retain and motivate talented online game development personnel and (iii) execute effectively our online game development plans. In-house development requires a substantial initial investment prior to the launch of a game, as well as a significant commitment of future resources to produce updates and expansion packs.

We license many of our online games, including some of our most popular games, from third parties. We must maintain good relationships with our licensors to continue to source new games with reasonable revenue-sharing terms and ensure the continued smooth operation of our licensed games. Additionally, we depend upon our licensors to provide technical support necessary for the operation of the licensed games, as well as updates and expansion packs that help to sustain interest in a game. Moreover, certain marketing activities often require the consent of our licensors. Our license agreements typically do not allow us to automatically extend the term of the license without renegotiating with the licensors. We may want to extend a license upon its expiration but may not be able to do so on terms acceptable to us or at all. Our licensors may also demand new royalty terms that are unacceptable to us. Our ability to continue to license our online games and to maintain good relationships with our licensors also affect our ability to license new games developed by the same licensors.

We cannot assure you that we will be successful in developing successful new online games in-house or licensing them from third parties, and if we fail to do so, our revenues from our online games business may decrease and some of our SNS users may become less engaged with our SNS platform, which may cause our website to be viewed by advertisers as a less attractive option for advertising their products and services and may cause our advertising revenues to decrease. If this were to happen, our financial condition, results of operations and business prospects may be materially and adversely affected.

Table of Contents

If we do not deliver new hit games to the market, or if consumers prefer our competitors' online games over those we provide, our operating results will suffer.

While various online game developers regularly introduce new online games, a small number of hit titles account for a significant portion of total revenue in the online games industry. If we do not deliver new hit games to the market, or if hit products offered by our competitors take a larger share of the market than we anticipate, the revenues generated by the online games that we offer will fall below expectations.

For example, Tianshu Qitan, which is one of our massively multiplayer online role playing games, or MMORPGs, contributed 31.1% of our online games revenues and 14.0% of our total net revenues in 2010. As with other online games, Tianshu Qitan has a finite commercial lifespan that we would not typically expect to exceed three years, and we believe that Tianshu Qitan, which we launched in late 2008, is in the more mature stage of its commercial lifespan. If we fail to deliver new hit games to replace the revenues generated by Tianshu Qitan, our results of operations will be materially and adversely affected.

The revenue models we adopt for our online games and other entertainment and services may not remain effective, which may materially and adversely affect our business, financial condition and results of operations.

We currently operate substantially all of our online games using the virtual item-based revenue model, whereby players can play games for free, but they have the option to purchase virtual in-game items such as items that improve the strength of game character, in-game accessories and pets. We have generated, and expect to continue to generate, a substantial majority of our online games revenues using this revenue model. However, the virtual item-based revenue model may not be the best revenue model for our games. The virtual item-based revenue model requires us to develop or license online games that not only attract game players to spend more time playing, but also encourage them to purchase virtual items. The sale of virtual items requires us to track closely game players' tastes and preferences, especially as to in-game consumption patterns. If we fail to develop or offer virtual items which game players purchase, we may not be able to effectively convert our game player base into paying users. In addition, the virtual item-based revenue model may raise additional concerns with PRC regulators that have been implementing regulations designed to reduce the amount of time that the Chinese youth spend playing online games and limit the total amount of virtual currency issued by online game operators and the amount purchased by an individual game player. A revenue model that does not charge for playing time may be viewed by the PRC regulators as inconsistent with this goal. Furthermore, we may change the revenue model for some of our online games if we believe the existing revenue models are not optimal. We cannot assure you that the revenue model that we have adopted for any of our online games will continue to be suitable for that game, or that we will not in the future need to switch our revenue model or introduce a new revenue model for that game. A change in revenue model could result in various adverse consequences, including disruptions of our game operations, criticism from game players who have invested time and money in a game and would be adversely affected by such a change, decreases in the number of our game players or decreases in the revenues we generate from our online games. Therefore, such a change in revenue model may materially and adversely affect our business, financial condition and results of operations.

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

Our success depends on the continuous effort and services of our experienced senior management team, in particular Mr. Joseph Chen, our founder, chairman and chief executive officer, and Mr. James Jian Liu, our executive director and our chief operating officer. If one or more of our executive officers or other key personnel are unable or unwilling to continue to provide us with their services, we may not be able to replace them easily or at all. Our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain personnel. Competition for management and key personnel is intense and the pool of qualified candidates is limited. We

Table of Contents

may not be able to retain the services of our executive officers or key personnel, or attract and retain experienced executive officers or key personnel in the future. If any of our executive officers or key employees join a competitor or forms a competing company, we may lose advertiser customers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement with us, which contains non-competition provisions. However, if any dispute arises between us and our executive officers or key employees, these agreements may not be enforceable in China, where these executive officers and key employees reside, in light of uncertainties relating to China's laws and legal system. See **Risks Relating to Doing Business in China** Uncertainties with respect to the PRC legal system could adversely affect us.

Our performance and future success also depend on our ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. Competition in the SNS, online games and social commerce industries for qualified employees is intense, and if competition in these industries further intensifies, it may be more difficult for us to hire, motivate and retain highly skilled personnel. If we do not succeed in attracting additional highly skilled personnel or retaining or motivating our existing personnel, we may be unable to grow effectively or at all.

The performance of our investments, which include currency deposits and equity interests in companies that are not our affiliates, could materially affect our financial condition and results of operations.

Historically, we have held large cash balances in currencies other than U.S. dollars, including Japanese Yen and Renminbi. We also hold dual currency deposits in U.S. dollars and Japanese Yen. Fluctuations in exchange rates and changes in the investment environment can affect market prices and the income from our deposits and other investments. We have in the past suffered substantial losses as a result of these deposits and other investments. We had an exchange loss of US\$12.9 million on dual currency deposits in 2008, which primarily related to dual currency deposits in U.S. dollars and Australian dollars. We may in the future suffer substantial losses as a result of these deposits and other investments, which may materially affect our financial condition and results of operations. For a detailed discussion of our exposure to fluctuations in the value of the Renminbi against the U.S. dollar, see **Risks Related to Doing Business in China** Fluctuations in exchange rates may have a material adverse effect on your investment and for a discussion of our foreign exchange risk in general, see **Management's Discussion and Analysis of Financial Condition and Results of Operations** Foreign Exchange Risk.

We also hold marketable securities including equity investments in corporations that we do not control, such as eLong, an affiliate of Expedia and a leading online travel company in China. If these investments perform poorly, we may suffer substantial losses, which could materially affect our financial condition and results of operations.

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

We have adopted four equity incentive plans, on February 27, 2006, January 31, 2008, October 15, 2009 and on April 14, 2011. As of the date of this prospectus, options to purchase a total of 51,683,790 ordinary shares of our company were outstanding. See **Management Equity Incentive Plans** for a detailed discussion. For the years ended December 31, 2008, 2009 and 2010, we recorded US\$1.2 million, US\$2.3 million and US\$2.8 million, respectively, in share-based compensation expenses. As of December 31, 2010, we had US\$5.6 million of unrecognized share-based compensation expenses relating to share options, which are expected to be recognized over a weighted average vesting period of 1.43 years. We believe the granting of share options is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share options to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Table of Contents

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

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

global economic conditions;

our ability to maintain and increase user traffic;

our ability to attract and retain advertisers or recognize online advertising revenues in a given quarter;

changes in government policies or regulations, or their enforcement; and

geopolitical events or natural disasters such as war, threat of war, earthquake or epidemics.

Our operating results tend to be seasonal and fluctuating. For instance, we typically have lower online advertising revenues during the first quarter of each year primarily due to the Chinese New Year holidays in that quarter, and we experienced a moderate decline in our online advertising revenues in the fourth quarter of 2010. 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 business, financial condition and results of operations, as well as our ability to obtain financing, may be adversely affected by the downturn in the global or Chinese economy.

The global financial markets have experienced significant disruptions since 2008 and the effect of the crisis persisted in 2009 and 2010. China's economy has also faced challenges. To the extent that there have been improvements in some areas, it is uncertain whether such recovery is sustainable. Since we have derived at least 39% of our net revenues in each of the previous three years from online advertising in China and the advertising industry is particularly sensitive to economic downturns, our business and prospects may be affected by the macroeconomic environment in China. A prolonged slowdown in China's economy may lead to a reduced amount of advertising activities, which could materially and adversely affect our business, financial condition and results of operations.

Moreover, a slowdown in the global or China's economy or the recurrence of any financial disruptions may have a material and adverse impact on financings available to us. The weakness in the economy could erode investors' confidence, which constitutes the basis of the credit market. The recent financial turmoil affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all. Although we are uncertain about the extent to which the recent global financial and economic crisis and slowdown of China's economy may impact our business in the short term and long term, there is a risk that our business, results of operations and prospects would be materially and adversely affected by any ongoing global economic downturn or slowdown of China's economy.

In the course of preparing our consolidated financial statements, one material weakness and one significant deficiency in our internal control over financial reporting were identified. If we fail to maintain an effective system of internal control over financial reporting, our ability to accurately and timely report our financial results or prevent fraud maybe adversely affected, and investor confidence and the market price of our ADSs may be adversely impacted.

Prior to this offering, we have been a private company with limited accounting personnel and other resources for addressing our internal control over financial reporting. In connection with the preparation and

Table of Contents

audit of our consolidated financial statements included in this prospectus, we and our independent registered public accounting firm identified one material weakness and one significant deficiency, each as defined in the U.S. Public Company Accounting Oversight Board Standard AU Section 325, *Communications About Control Deficiencies in an Audit of Financial Statements*, or AU325, in our internal control over financial reporting as of December 31, 2010. As defined in AU325, a material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis, and a significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting.

The material weakness identified related to insufficient accounting personnel with appropriate U.S. GAAP knowledge. The significant deficiency identified was our not having a formal policy for investment of our surplus cash and the management of our treasury functions. Following the identification of the material weakness and significant deficiency, we have taken measures and plan to continue to take measures to remediate the material weakness and significant deficiency. For a discussion of the remedial measures we have undertaken or are in the process of undertaking, see Management's Discussion and Analysis of Financial Condition and Results of Operations Internal Control Over Financial Reporting. However, the implementation of these measures may not fully address the material weakness, significant deficiency and other control deficiencies in our internal control over financial reporting, and we cannot yet conclude that they have been fully remedied. Failure to correct the material weakness, significant deficiency and other control deficiencies or our failure to discover and address any other control deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Moreover, effective internal control over financial reporting is important to help prevent fraud.

Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control for purposes of identifying and reporting material weaknesses and other control deficiencies in our internal control over financial reporting as we and they will be required to do once we become a public company. In light of the material weakness, significant deficiency and other control deficiencies that were identified as a result of the limited procedures performed, we believe it is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

Upon the closing of this offering, we will become subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act, or Section 404, will require that we include a report from our management in our annual report on Form 20-F beginning with our annual report for the year ending December 31, 2012. We intend to remediate the material weakness and significant deficiency before December 31, 2012, but we can give no assurance that we will be able to do so. In addition, beginning at the same time that we will be required under Section 404 to include a report from our management in our annual report on Form 20-F, our independent registered public accounting firm must issue an attestation report on the effectiveness of our internal control over financial reporting. If we fail to remedy the material weakness and significant deficiency identified above, our management or our independent registered public accounting firm may conclude that our internal control over financial reporting is not effective, which could adversely impact the market price of our ADSs due to a loss of investor confidence in the reliability of our reporting processes. Further, we will need to incur significant costs and use significant management and other resources in order to comply with Section 404 of the Sarbanes-Oxley Act.

Table of Contents

We have limited business insurance coverage.

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

The leasehold interests of some of our consolidated affiliated entities might not be fully protected by the terms of the relevant lease agreements due to defects in or the landlord's failure to provide certain title documents with respect to some of our leased properties.

As of December 31, 2010, our consolidated affiliated entities leased properties in China covering a total floor area of approximately 19,400 square meters, primarily for use as offices. All such properties are leased from independent third parties. In respect of approximately 16,800 square meters of these properties, the lessors either do not have or have failed to provide proper title documents. In the event of a dispute related to the legal title of any of these properties, our consolidated affiliated entities could be compelled to vacate the properties on short notice and relocate to different facilities. As a result, the operations of our consolidated affiliated entities could be adversely affected if the aforementioned relocation(s) could not be completed efficiently and in a timely manner.

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

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

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in internet business, including the provision of social networking services, online advertising services and online game services. Specifically, foreign ownership of internet service providers or other value-added telecommunication service providers may not exceed 50%. In addition, according to the Several Opinions on the Introduction of Foreign Investment in the Cultural Industry promulgated by the Ministry of Culture, the State Administration of Radio, Film and Television, or the SARFT, the General Administration of Press and Publication, or the GAPP, the National Development and Reform Commission and the Ministry of Commerce in June 2005, foreign investors are prohibited from investing in or operating, among others, any internet cultural operating entities. We conduct our operations in China principally through contractual arrangements among our wholly owned PRC subsidiary, Qianxiang Shiji, and a consolidated affiliated entity, Qianxiang Tiancheng, and its shareholders. Qianxiang Tiancheng has three wholly owned subsidiaries, namely Qianxiang Wangjing, Qianxiang Changda and Beijing Nuomi. Qianxiang Wangjing is the operator of our renren.com website and holds the licenses and permits necessary to conduct our SNS, online advertising and online games business in China (other than in Shanghai Municipality), Qianxiang Changda is an online advertising company that plans to apply for the licenses and permits necessary to conduct our SNS and online games services, and Beijing Nuomi is the operator of our nuomi.com website and holds the licenses and permits that we believe are necessary to conduct our social commerce business in China. Our contractual arrangements with Qianxiang Tiancheng and its shareholders enable us to exercise effective control over Qianxiang Tiancheng and its three subsidiaries, Qianxiang Wangjing, Qianxiang Changda and Beijing Nuomi, and hence we treat these four entities as our consolidated affiliated entities and consolidate their results. For a detailed discussion of these contractual arrangements, see Corporate History and Structure.

Table of Contents

On September 28, 2009, the GAPP, together with the National Copyright Administration, and National Office of Combating Pornography and Illegal Publications jointly issued a Notice on Further Strengthening on the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Game, or the GAPP Notice. The GAPP Notice restates that foreign investors are not permitted to invest in online game-operating businesses in China via wholly owned, equity joint venture or cooperative joint venture investments and expressly prohibits foreign investors from gaining control over or participating in domestic online game operators through indirect ways such as establishing other joint venture companies, or contractual or technical arrangements. However, the GAPP Notice does not provide any interpretation of the term "foreign investors" or make a distinction between foreign online game companies and companies under a similar corporate structure like ours (including those listed Chinese Internet companies that focus on online game operation). Thus, it is unclear whether the GAPP will deem our corporate structure and operations to be in violation of these provisions.

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

revoke our business and operating licenses;

require us to discontinue or restrict our operations;

restrict our right to collect revenues;

block our websites;

require us to restructure our operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets;

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 may result in a material and adverse effect on our ability to conduct our business. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of the affiliated entities or our right to receive their economic benefits, we would no longer be able to consolidate these entities. These entities contributed substantially all of our consolidated net revenues and contributed US\$40.8 million to income from continuing operations in 2010, while our overall consolidated loss from continuing operations was US\$61.2 million in 2010.

We rely on contractual arrangements with consolidated affiliated entities for our China operations, which may not be as effective in providing operational control as direct ownership.

We have relied and expect to continue to rely on contractual arrangements with our affiliated entities to operate our social networking services, online advertising businesses, online games businesses and social commerce businesses in China. For a description of these contractual arrangements, see "Corporate History and Structure Contractual Arrangements with Our Consolidated Affiliated Entities." These contractual arrangements may not be as effective in providing us with control over these affiliated entities as direct ownership. If we had direct ownership of

Qianxiang Tiancheng, Qianxiang Wangjing, Qianxiang Changda and

Table of Contents

Beijing Nuomi, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of Qianxiang Tiancheng, Qianxiang Wangjing, Qianxiang Changda or Beijing Nuomi, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current contractual arrangements, we rely on the performance by Qianxiang Tiancheng and its shareholders of their obligations under the contracts to exercise control over our affiliated entities. Therefore, our contractual arrangements with our affiliated entities may not be as effective in ensuring our control over our China operations as direct ownership would be.

Any failure by our affiliated entities or their respective shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business and financial condition.

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

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

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

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

Table of Contents

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

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

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

We may replace Ms. Yang and Mr. Liu as the shareholders of Qianxiang Tiancheng at any time pursuant to the equity option agreements. As an executive officer of our company, Mr. Liu has a duty of loyalty and care to our company and to our shareholders as a whole under Cayman Islands law. In addition, each of Ms. Yang and Mr. Liu has executed a power of attorney to appoint Mr. Liu, the person designated by Qianxiang Shiji, to vote on her/his behalf and exercise the full voting rights as the shareholder of Qianxiang Tiancheng. We cannot assure you, however, that when conflicts arise, Ms. Yang and Mr. Liu will act in the best interests of our company or that conflicts will be resolved in our favor. If we cannot resolve any conflicts of interest or disputes between us and Ms. Yang and Mr. Liu, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC 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 to be paid by our wholly owned PRC subsidiary, Qianxiang Shiji, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If Qianxiang Shiji 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.

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

Any limitation on the ability of Qianxiang Shiji to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See [Risks Related to Doing Business in China](#) Our global income and the dividends that we may receive from our PRC subsidiary, dividends distributed to our non-PRC shareholders and ADS holders, and gain realized by such shareholders or ADS holders, may be subject to PRC taxes under the New EIT Law, which would have a material adverse effect on our results of operations.

Table of Contents

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

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

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

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 RMB by restricting how the converted RMB may be used. SAFE Circular 142 provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of a foreign-invested company. The use of such RMB capital may not be altered without SAFE approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 could result in severe monetary or other penalties. Furthermore, SAFE promulgated a circular on November 19, 2010, or Circular No. 59, which tightens the examination on the authenticity of settlement of net proceeds from this offering and requires that the settlement of net proceeds shall be in accordance with the description in this prospectus.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, including SAFE Circular 142, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiary or consolidated affiliated entities or with respect to future capital contributions by us to our PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from this offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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

Our real name social networking services and online games businesses are subject to strict government regulations in the PRC. Under the current PRC regulatory scheme, a number of regulatory agencies, including the MIIT, the Ministry of Culture, the GAPP, the SARFT and the State Council Information Office, or the SCIO, jointly regulate all major aspects of the internet industry, including the SNS and online game industries.

Table of Contents

Operators must obtain various government approvals and licenses prior to the commencement of SNS and online game operations, including an internet content provider license, or ICP license, an online culture operating permit, a value-added telecommunication services license and an internet publishing license.

We have obtained a value-added telecommunication service license, an ICP license, an online culture operating permit, and an online drug information license for online games and advertisements on our SNS website. We have filed with the GAPP and the Ministry of Culture certain online games that we developed and the imported games available on our SNS website, and will continue to make such filings for these types of games. However, we cannot assure you that our understanding of the applicability and scope of such filings and filing requirements is correct, as the interpretation and enforcement of the applicable laws and regulations by the GAPP and the Ministry of Culture are still evolving. We currently are in the process of applying for an internet publishing license with the GAPP and its relevant local arm. Although we have not received any objections or materially adverse feedback from the GAPP or its local branch relating to our application, we cannot offer any assurances as to whether approval for our application will be granted or when such approval may be granted. If our current practices are challenged by the GAPP and any of our online games fail to be examined and filed by relevant authorities or are found to be in violation of applicable laws, we may be subject to various penalties, including fines and the discontinuation of or restrictions on our operations. We have obtained an ICP license for the social commerce services provided on our social commerce services website, nuomi.com.

If the PRC government promulgates new laws and regulations that require additional licenses or imposes additional restrictions on the operation of SNS, online games, social commerce and/or other services we plan to launch, to the extent we may not be able to obtain these licenses, our results of operations may be materially and adversely affected. In addition, the PRC government may promulgate regulations restricting the types and content of advertisements that may be transmitted online, which could have a direct adverse impact on our business.

Currently there is no law or regulation specifically governing virtual asset property rights and therefore it is not clear what liabilities, if any, online game operators may have for virtual assets.

In the course of playing online games, some virtual assets, such as special equipment and other accessories, are acquired and accumulated. Such virtual assets can be important to online game players and have monetary value and in some cases are sold among players for actual money. In practice, virtual assets can be lost for various reasons, often through unauthorized use of the game account of one user by other users and occasionally through data loss caused by a delay of network service, a network crash or hacking activities. Currently, there is no PRC law or regulation specifically governing virtual asset property rights. As a result, there is uncertainty as to who is the legal owner of virtual assets, whether and how the ownership of virtual assets is protected by law, and whether an operator of online games such as us would have any liability to game players or other interested parties (whether in contract, tort or otherwise) for loss of such virtual assets. In case of a loss of virtual assets, we may be sued by our game players and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations.

Based on recent PRC court judgments, the courts have typically held online game operators liable for losses of virtual assets by game players, and in some cases have allowed online game operators to return the lost virtual items to game players in lieu of paying damages.

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

The issuance and use of virtual currency in the PRC has been regulated since 2007 in response to the growth of the online games industry in China. In January 2007, the Ministry of Public Security, the Ministry of Culture, the MIIT and the GAPP jointly issued a circular regarding online gambling which has implications for the use of virtual currency. To curtail online games that involve online gambling, as well as address concerns that

Table of Contents

virtual currency could be used for money laundering or illicit trade, the circular (i) prohibits online game operators from charging commissions in the form of virtual currency in relation to winning or losing of games; (ii) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (iii) bans the conversion of virtual currency into real currency or property; and (iv) prohibits services that enable game players to transfer virtual currency to other players. In February 2007, 14 PRC regulatory authorities jointly promulgated a circular to further strengthen the oversight of internet cafes and online games.

On June 4, 2009, the Ministry of Culture and the Ministry of Commerce jointly issued a notice regarding strengthening the administration of online game virtual currency. The Ministry of Culture issued the Tentative Administrative Measures of Online Games, or the Online Game Measures, in June 2010, which provides, among other things, that virtual currency issued by online game operators may be only used to exchange its own online game products and services and may not be used to pay for the products and services of other entities.

We issue virtual currency to game players for them to purchase various virtual items or time units to be used in our online games. We are in the process of adjusting the content of our online games, but we cannot assure you that our adjustments will be sufficient to comply with the Virtual Currency Notice. Moreover, although we believe we do not offer online game virtual currency transaction services, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours. For example, certain virtual items we issue to users based on in-game milestones they achieve or time spent playing games are transferable and exchangeable for our virtual currency or the other virtual items we issue to users. If the PRC regulatory authorities deem such transfer or exchange to be a virtual currency transaction, then in addition to being deemed to be engaged in the issuance of virtual currency, we may also be deemed to be providing transaction platform services that enable the trading of such virtual currency. Simultaneously engaging in both of these activities is prohibited under the Virtual Currency Notice. In that event, we may be required to cease either our virtual currency issuance activities or such deemed transaction service activities and may be subject to certain penalties, including mandatory corrective measures and fines. The occurrence of any of the foregoing could have a material adverse effect on our business and results of operations.

In addition, the Virtual Currency Notice prohibits online game operators from setting game features that involve the direct payment of cash or virtual currency by players for the chance to win virtual items or virtual currency based on random selection through a lucky draw, wager or lottery. The notice also prohibits game operators from issuing currency to game players through means other than purchases with legal currency. It is unclear whether these restrictions would apply to certain aspects of our online games. Although we believe that we do not engage in any of the above-mentioned prohibited activities, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours and deem such feature as prohibited by the Virtual Currency Notice, thereby subjecting us to penalties, including mandatory corrective measures and fines. The occurrence of any of the foregoing could materially and adversely affect our business and results of operations.

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

If, pursuant to a plan or a series of related transactions, a non-United States corporation, such as our company, acquires substantially all of the assets of a United States corporation, and after the acquisition 80% or more of the stock, by vote or value, of the non-United States corporation, excluding stock issued in a public offering related to the acquisition, is owned by former shareholders of the United States corporation by reason of their ownership of the United States corporation, the non-United States corporation will be considered a United States corporation for United States federal income tax purposes. Based on our analysis of the facts related to our corporate restructuring in 2005 and 2006, we do not believe that we should be treated as a United States corporation for United States federal income tax purposes. However, as there is no direct authority on how the relevant rules of the Internal Revenue Code might apply to us, our company's conclusion is not free from doubt. Therefore, our conclusion may be challenged by the United States tax authorities and a finding that we owe additional United States taxes could substantially reduce the value of your investment in our company. You are

Table of Contents

urged to consult your tax advisor concerning the income tax consequences of purchasing, holding or disposing of ADSs or ordinary shares if we were to be treated as a United States domestic corporation for United States federal income tax purposes.

Our operations may be adversely affected by implementation of new anti-fatigue-related regulations.

The PRC government may decide to adopt more stringent policies to monitor the online games industry as a result of adverse public reaction to perceived addiction to online games, particularly by minors. On April 15, 2007, eight PRC government authorities, including the GAPP, the Ministry of Education and the MIIT issued a notice requiring all Chinese online game operators to adopt an anti-fatigue system in an effort to curb addiction to online games by minors. Under the anti-fatigue system, three hours or less of continuous play is defined to be healthy, three to five hours is defined to be fatiguing, and five hours or more is defined to be unhealthy. Online gaming operators are required to reduce the value of game benefits for minor game players by half when those game players reach the fatigue level, and to zero when they reach the unhealthy level. In addition, online game players in China are now required to register their identity card numbers before they can play an online game. This system allows game operators to identify which game players are minors. These restrictions could limit our ability to increase our online games business among minors. Furthermore, if these restrictions were expanded to apply to adult game players in the future, our online games business could be materially and adversely affected.

Risks Related to Doing Business in China

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

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

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

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and operating results.

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

We conduct our business primarily through our PRC subsidiary and consolidated affiliated entities in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiary is a foreign-invested

Table of Contents

enterprise and is subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. For example, China enacted an Anti-Monopoly Law that became effective on August 1, 2008. Because the Anti-Monopoly Law and related regulations have been in effect for only a few years, there have been very few court rulings or judicial or administrative interpretations on certain key concepts used in the law. As a result, there is uncertainty how the enforcement and interpretation of the new Anti-Monopoly Law may affect our business and operations.

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

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

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

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

There are uncertainties relating to the regulation of the internet industry in China, including evolving licensing practices. This means that permits, licenses or operations at some of our companies may be subject to challenge, or we have failed to obtain permits or licenses that applicable regulators may deem necessary for our operations or we may not be able to obtain or renew certain permits or licenses to maintain their validity. The major permits and licenses that could be involved include the ICP license, the online culture operating permit, the value-added telecommunication services operation permit and the internet publishing license.

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

Table of Contents

On July 13, 2006, the MIIT, the predecessor of which is the Ministry of Information Industry, issued the Notice of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services. This notice prohibits domestic telecommunication services providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China. According to this notice, either the holder of a value-added telecommunication services operation permit or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. Currently, Qianxiang Wangjing, Qianxiang Changda and Beijing Nuomi, our PRC consolidated affiliated entities, own the related domain names and trademarks and hold the ICP licenses necessary to conduct our operations for websites in China.

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

Fluctuations in exchange rates may have a material adverse effect on your investment.

The value of the RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on exchange rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB solely to the U.S. dollar. Under this revised policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the removal of the U.S. dollar peg, the RMB appreciated more than 20% against the U.S. dollar over the following three years. Since July 2008, however, the RMB has traded within a narrow range against the U.S. dollar. As a consequence, the RMB has fluctuated significantly since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the PBOC announced that the PRC government would further reform the RMB exchange rate regime and increase the flexibility of the exchange rate. It is difficult to predict how this new policy may impact the RMB exchange rate.

Substantially all of our revenues and costs are denominated in RMB. Any significant revaluation of RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, an appreciation of RMB against the U.S. dollar would reduce the amount of RMB we would receive if we need to convert U.S. dollars into RMB. Conversely, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

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

Table of Contents

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

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

The approval of the China Securities Regulatory Commission may be required in connection with this offering under a regulation adopted in August 2006, and, if required, we cannot assure you that we will be able to obtain such approval.

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or the CSRC, promulgated the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective on September 8, 2006 and was amended on June 22, 2009. This regulation, among other things, requires offshore special purpose vehicles, or SPVs, formed for the purpose of an overseas listing and controlled by PRC companies or individuals, to obtain CSRC approval prior to listing their securities on an overseas stock exchange. The application of this regulation remains unclear. Our PRC counsel, TransAsia Lawyers, has advised us that, based on their understanding of the current PRC laws, rules and regulations:

the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this regulation; and

given that Qianxiang Shiji and Qianxiang Tiancheng were established before September 8, 2006, the effective date of this regulation, and that no provision in this regulation clearly classified contractual arrangements as a type of transaction subject to its regulation, we are not required to submit an application to the CSRC for its approval of the listing and trading of our ADSs on the NYSE.

Because there has been no official interpretation or clarification of this regulation since its adoption, there is uncertainty as to how this regulation will be interpreted or implemented. If it is determined that the CSRC approval is required for this offering, we may face sanctions by the CSRC or other PRC regulatory agencies for failure to seek the CSRC approval for this offering. These sanctions may include fines and penalties on our operations in the PRC, delays or restrictions on the repatriation of the proceeds from this offering into the PRC, restrictions on or prohibition of the payments or remittance of dividends by our China subsidiary, or other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable to us, to halt this offering before the settlement and delivery of the ADSs that we are offering. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the ADSs we are offering, you would be doing so at the risk that the settlement and delivery may not occur.

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

Among other things, the regulation discussed in the preceding risk factor established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming

Table of Contents

and complex. Such regulation requires, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council on August 3, 2008, are triggered.

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

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

SAFE has promulgated several regulations, including the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or SAFE Circular No. 75, issued on November 1, 2005, and the Notice of the General Affairs Department of the State Administration of Foreign Exchange on Printing and Distributing the Implementing Rules for the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or SAFE Circular No. 106, issued on May 29, 2007. These regulations require PRC residents and PRC corporate entities to register with local branches of SAFE in connection with their direct or indirect offshore investment activities. These regulations apply to our shareholders who are PRC residents by virtue of their establishment or their maintaining a controlling interest in our company, and may apply to any offshore acquisitions that we make in the future.

Mr. Joseph Chen, our founder, chairman and chief executive officer, is not a PRC citizen, but resides in China and has established and maintains a major shareholding in our company. Based on our recent oral inquiry with the relevant local branch of SAFE, the requirements for registration under SAFE Circular 75 are not applicable to Mr. Chen because he had been a U.S. citizen before establishing the offshore holding company.

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

However, we cannot conclude that SAFE or its local branch responsible for our PRC subsidiary's foreign exchange registrations will not later alter their position on and interpretation of the applicability of these foreign exchange regulations to Mr. Chen, Mr. Liu or the other PRC resident shareholders of our company. In the event that the registration procedures set forth in these foreign exchange regulations becomes applicable to Mr. Chen, Mr. Liu or any of the PRC resident shareholders of our company, we will urge these individuals to file necessary registrations and amendments as required under SAFE Circular 75 and related rules. However, we cannot assure you that all of these individuals can successfully file or update any applicable registration or obtain the necessary approval required by these foreign exchange regulations. The failure or inability of such individuals to comply with the registration procedures set forth in these regulations may subject us to fines or legal sanctions, restrictions on our cross-border investment activities or our PRC subsidiary's ability to distribute dividends to, or

Table of Contents

obtain foreign-exchange-dominated loans from, our company, or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

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

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

In December 2006, the PBOC promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, which set forth the respective requirements for foreign exchange transactions by individuals (both PRC or non-PRC citizens) under either the current account or the capital account. In January 2007, SAFE issued implementing rules for the Administrative Measures of Foreign Exchange Matters for Individuals, which, among other things, specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee share ownership plans or share option plans of an overseas publicly listed company. In March, 2007, SAFE promulgated the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plan or Stock Option Plan of Overseas-Listed Company, or the Stock Option Rules. Under these rules, PRC citizens who participate in an employee share ownership plan or a share option plan in an overseas publicly listed company are required to register with SAFE and complete certain other procedures. For participants of an employee share ownership plan, an overseas custodian bank should be retained by the PRC agent, which could be the PRC subsidiary of such overseas publicly listed company, to hold on trusteeship all overseas assets held by such participants under the employee share ownership plan. In the case of a share option plan, the PRC agent is required to retain a financial institution with stock brokerage qualification at the place where the overseas publicly listed company is listed or a qualified institution designated by the overseas publicly listed company to handle matters in connection with the exercise or sale of share options for the share option plan participants. For participants who had already participated in an employee share ownership plan or share option plan before the date of the Stock Option Rules, the Stock Option Rules require their PRC employers or PRC agents to complete the relevant formalities within three months of the date of this rule. We and our PRC citizen employees who participate in an employee share ownership plan or a share option plan will be subject to these regulations when our company becomes a publicly listed company in the United States. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and other legal or administrative sanctions. See Regulation Regulations on Employee Stock Options Plans.

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

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the State Administration of Taxation, or the SAT, on December 10, 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly via disposing of the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-resident enterprise, being the transferor, shall report to the relevant tax authority of the PRC resident

Table of Contents

enterprise this Indirect Transfer. Using a substance over form principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term Indirect Transfer is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the relevant tax authority of the PRC resident enterprise. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Circular 698 may be determined by the tax authorities to be applicable to our private equity financing transactions where non-resident investors were involved, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-resident investors in such transactions may become at risk of being taxed under SAT Circular 698 and we may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we should not be taxed under the general anti-avoidance rule of the PRC Enterprise Income Tax Law, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors' investments in us.

Discontinuation of any of the preferential tax treatments or imposition of any additional taxes could adversely affect our financial condition and results of operations.

Qianxiang Wangjing is qualified as a software enterprise and enjoys tax benefits under the PRC Enterprise Income Tax Law, or the New EIT Law, and its implementation rules, both of which became effective on January 1, 2008. However, we cannot assure you that we will be able to continue to enjoy such tax benefits. If Qianxiang Wangjing's status as a software enterprise is repealed, we may have to pay additional taxes to make up any previously unpaid tax and may be subject to a higher tax rate, which may materially and adversely affect our results of operations.

The New EIT Law applies a uniform statutory income tax rate of 25% to enterprises in China. The New EIT Law and implementation rules promulgated under the New EIT Law provide that software enterprises enjoy an income tax exemption for two years beginning with their first profitable year and a 50% tax reduction to a rate of 12.5% for the subsequent three years. Qianxiang Wangjing has been qualified as a software enterprise by the Beijing Municipal Commission of Science and Technology and, accordingly, will enjoy an enterprise income tax rate of 0% for both 2009 and 2010 as well as a tax reduction of 50% for the following three years.

As the New EIT Law and its implementation rules have only recently taken effect, there are uncertainties on their future interpretation and implementation. We cannot assure you that the qualification of Qianxiang Wangjing as a software enterprise by the relevant tax authority will not be challenged in the future by their supervising authorities and be repealed, or that there will not be future implementation rules that are inconsistent with current interpretation of the New EIT Law. If the tax benefits Qianxiang Wangjing enjoys as a software enterprise are revoked prior to expiration of its term, and we are otherwise unable to qualify Qianxiang Wangjing for other income tax exemptions or reductions, our effective income tax rate will be adversely affected. In addition, we may have to pay additional taxes to make up any previously unpaid tax. As a result, our results of operations could be materially and adversely affected.

Table of Contents

Our global income and the dividends that we may receive from our PRC subsidiary, dividends distributed to our non-PRC shareholders and ADS holders, and gain recognized by such shareholders or ADS holders, may be subject to PRC taxes under the New EIT Law, which would have a material adverse effect on our results of operations.

Under the New EIT Law and its implementation rules, both of which became effective on January 1, 2008, an enterprise established outside of the PRC with de facto management bodies within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term de facto management bodies as establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise. The SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or SAT Circular 82, on April 22, 2009. SAT Circular 82 provides certain specific criteria for determining whether the de facto management body of a Chinese-controlled offshore-incorporated enterprise is located in China. See Regulation Regulations on Tax PRC Enterprise Income Tax. Although SAT Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals, the determining criteria set forth in Circular 82 may reflect the SAT's general position on how the de facto management body test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. Although we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises, it is possible that the PRC tax authorities could reach a different conclusion. In such case, we may be considered a resident enterprise and may therefore be subject to enterprise income tax at a rate of 25% on our global income. If we are considered a resident enterprise and earn income other than dividends from our PRC subsidiary, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

Under the Old EIT Law applicable to us prior to January 1, 2008, dividend payments to foreign investors made by foreign-invested enterprises in China, such as Qianxiang Shiji, were exempt from PRC withholding tax. Pursuant to the New EIT Law and its implementation rules, however, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign investors, which are non-PRC tax resident enterprises without an establishment in China, or whose income has no connection with their institutions and establishments inside China, are subject to withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. We are a Cayman Islands holding company and we plan to conduct substantially all of our business through Qianxiang Shiji, which is 100% owned by CIAC, our wholly owned subsidiary located in the Cayman Islands. As long as CIAC is considered a non-PRC resident enterprise and holds at least 25% of the equity interest of Qianxiang Shiji, dividends that it receives from Qianxiang Shiji may be subject to withholding tax at a rate of 10%. See Regulation Regulations on Tax Dividends Withholding Tax.

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

Table of Contents

The enforcement of the Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and our results of operations.

On June 29, 2007, the Standing Committee of the National People's Congress of China enacted the Labor Contract Law, which became effective on January 1, 2008. The Labor Contract Law introduces specific provisions related to fixed-term employment contracts, part-time employment, probation, consultation with labor union and employee assemblies, employment without a written contract, dismissal of employees, severance, and collective bargaining, which together represent enhanced enforcement of labor laws and regulations. According to the Labor Contract Law, an employer is obliged to sign an unlimited-term labor contract with any employee who has worked for the employer for ten consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract must have an unlimited term, with certain exceptions. The employer must also pay severance to an employee in nearly all instances where a labor contract, including a contract with an unlimited term, is terminated or expires. In addition, the government has continued to introduce various new labor-related regulations after the Labor Contract Law. Among other things, new annual leave requirements mandate that annual leave ranging from five to 15 days is available to nearly all employees and further require that the employer compensate an employee for any annual leave days the employee is unable to take in the amount of three times his daily salary, subject to certain exceptions. As a result of these new regulations designed to enhance labor protection, our labor costs are expected to increase. In addition, as the interpretation and implementation of these new regulations are still evolving, we cannot assure you that our employment practices do not or will not violate the Labor Contract Law and other labor-related regulations. If we are subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and results of operations may be adversely affected.

Risks Related to this Offering

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

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

Negotiations with the underwriters will determine the initial public offering price for our ADSs, which may bear no relationship to their market price after the initial public offering. We cannot assure you that an active trading market for our ADSs will develop or that the market price of our ADSs will not decline below the initial public offering price.

The market price for our ADSs may be volatile.

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

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

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

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

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

changes in financial estimates by securities research analysts;

Table of Contents

conditions in the SNS, online game, online advertising and social commerce industries or the internet industry in general;

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

additions to or departures of our senior management;

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

release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares or ADSs; and

sales or perceived potential 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 any particular company. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

Our proposed dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

Immediately prior to the completion of this offering, we will have a dual-class voting structure whereby our ordinary shares will consist of Class A ordinary shares and Class B ordinary shares. Subject to certain exceptions, in respect of matters requiring the votes of shareholders, holders of Class A ordinary shares will be entitled to one vote per share, while holders of Class B ordinary shares will be entitled to ten votes per share. We will issue Class A ordinary shares represented by our ADSs in this offering. Immediately prior to the completion of this offering, (i) 25,571,420 series A preferred shares, 70,701,580 series B preferred shares and 173,985,970 ordinary shares held by Mr. Joseph Chen, our founder, chairman and chief executive officer, will be converted into Class B ordinary shares on a one-for-one basis, (ii) 135,129,480 series D preferred shares held by SB Pan Pacific Corporation, one of our existing shareholders, will be converted into Class B ordinary shares on a one-for-one basis, and (iii) all of the remaining ordinary shares and preferred shares that are issued and outstanding will be converted into Class A ordinary shares on a one-for-one basis. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares.

Due to the disparate voting powers attached to these two classes, we anticipate that Mr. Chen and SB Pan Pacific Corporation will beneficially own approximately 56.0% and 33.6%, respectively, of the aggregate voting power of our company immediately after this offering, assuming (i) the underwriters do not exercise their over-allotment option to purchase additional ADSs, and (ii) we will issue and sell a total of 25,384,612 Class A ordinary shares to a group of unrelated third-party investors through concurrent private placements, which number of shares has been calculated based on an initial public offering price of US\$13.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus. Accordingly, Mr. Chen and SB Pan Pacific Corporation will have controlling power over matters requiring shareholder approval, subject to certain exceptions. This concentrated control will limit your ability to influence corporate matters and 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.

Table of Contents

Because our initial public offering price is substantially higher than our net tangible book value per share, you will experience immediate and substantial dilution.

If you purchase ADSs in this offering, you will pay more for your ADSs than the amount paid by our existing shareholders for their Class A ordinary shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately US\$10.25 per ADS, representing the difference between the assumed initial public offering price of US\$13.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus and our pro forma as adjusted net tangible book value of US\$2.75 per ADS as of December 31, 2010, after giving effect to the automatic conversion of our preferred shares immediately prior to the completion of this offering and the net proceeds to us from both this offering and our issuance of a total of 25,384,612 Class A ordinary shares through concurrent private placements. In addition, you may experience further dilution to the extent that our ordinary shares are issued upon the exercise of share options.

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

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

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

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

Sales of our ADSs or ordinary shares in the public market after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Immediately after the completion of this offering, we will have 1,177,602,715 ordinary shares outstanding, including 159,300,000 Class A ordinary shares represented by ADSs, assuming the underwriters do not exercise their over-allotment option. All ADSs sold in this offering will be freely transferable without restriction or additional registration under the Securities Act. The remaining Class A ordinary shares outstanding after this offering will be available for sale, upon the expiration of the 180-day lock-up period beginning from the date of this prospectus, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. Any or all of these shares may be released prior to the expiration of the lock-up period at the discretion of the representatives. To the extent shares are released before the expiration of the lock-up period and sold into the market, the market price of our ADSs could decline.

Upon completion of this offering, certain holders of our ordinary shares will have the right to cause us to register under the Securities Act the sale of their shares, subject to the 180-day lock-up period in connection with this offering. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline.

Table of Contents

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

Except as described in this prospectus and in the deposit agreement, holders of our ADSs will not be able to exercise voting rights attaching to the Class A ordinary shares represented by our ADSs on an individual basis. Holders of our ADSs will appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the Class A ordinary shares represented by the ADSs. Upon receipt of your voting instructions, the depositary will vote the underlying Class A ordinary shares in accordance with these instructions.

Pursuant to our amended and restated memorandum and articles of association effective immediately prior to the completion of this offering, we may convene a shareholders' meeting upon seven (7) calendar days' notice. If we give timely notice to the depositary under the terms of the deposit agreement (30 days' notice), the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to instruct the depositary to vote the Class A ordinary shares underlying your ADSs, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if the Class A ordinary shares underlying your ADSs are not voted as you requested. In addition, although you may directly exercise your right to vote by withdrawing the Class A ordinary shares underlying your ADSs, you may not receive sufficient advance notice of an upcoming shareholders' meeting to withdraw the Class A ordinary shares underlying your ADSs to allow you to vote with respect to any specific matter.

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

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depositary will not make rights available to you unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

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

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

Your ADSs are transferable on the books of the 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.

Table of Contents

because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement.

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

We are incorporated in the Cayman Islands and conduct substantially all of our operations in China through our PRC subsidiary and consolidated affiliated entities. Most of our directors and officers reside outside the United States and a substantial portion of the assets of such directors and officers are located outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will generally recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. For more information regarding the relevant laws of the Cayman Islands and China, see [Enforceability of Civil Liabilities](#).

Our corporate affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and by the Companies Law (2010 Revision) and common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders and the fiduciary responsibilities of our directors are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which provides persuasive, but not binding, authority. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States and provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in U.S. federal courts.

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

You must rely on the judgment of our management as to the use of the net proceeds from this offering, and such use may not produce income or increase our ADS price.

We intend to use the net proceeds of this offering for, among other things, expanding our new services, including our nuomi.com social commerce services, investing in our technology and research and development activities and expanding our sales and marketing activities, with the balance to be used for other general corporate purposes, including potential strategic acquisitions and investments. However, our management will have considerable discretion in the application of the net proceeds received by us. For more information, see [Use of Proceeds](#). You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. The net proceeds may be used for corporate purposes that do not improve our efforts to maintain profitability or increase our ADS price. The net proceeds from this offering may be placed in investments that do not produce income or that lose value.

Table of Contents

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

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

Our two largest shareholders are able to significantly influence our actions over important corporate matters, which may deprive you of an opportunity to receive a premium for your shares and reduce the price of our ADSs.

Immediately after the completion of this offering, Mr. Joseph Chen, our founder, chairman and chief executive officer, will beneficially own approximately 66.7% of our outstanding Class B ordinary shares, representing in aggregate 56.0% of our total voting power, and SB Pan Pacific Corporation will beneficially own approximately 22.9% of our outstanding Class A ordinary shares and approximately 33.3% of our outstanding Class B ordinary shares, representing in aggregate 33.6% of our total voting power, assuming (i) the underwriters do not exercise their over-allotment option to purchase the additional shares, and (ii) we will issue and sell a total of 25,384,612 Class A ordinary shares to a group of unrelated third-party investors through concurrent private placements, which number of shares has been calculated based on an initial public offering price of US\$13.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of the prospectus. Consequently, these shareholders will be able to significantly influence matters such as electing directors and approving material mergers, acquisitions or other business combination transactions. This concentration of ownership and voting power may also discourage, delay or prevent a change in control of our company, which could have the dual effect of depriving our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and reducing the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders, including those who purchase ADSs in this offering. In addition, these persons could divert business opportunities away from us to themselves or others.

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

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

A non-United States corporation that is a controlled foreign corporation, or CFC, for United States federal income tax purposes may be required to use the adjusted basis of its assets in applying the PFIC asset test, which may increase the likelihood that it qualifies as a PFIC. The legislative history to the special PFIC adjusted basis rule can be read as intending for the rule to apply only to United States persons that own at least 10% of the

Table of Contents

voting stock of the non-United States corporation; however, this limitation is not reflected in the statute. We would be treated as a CFC for any year on any day of which U.S. Holders (as defined in *Taxation Material United States Federal Income Tax Considerations General*) each own (directly, indirectly or by attribution) at least 10% of our voting shares and together own more than 50% of the total combined voting power of all classes of our voting shares or more than 50% of the total value of our shares (the *CFC Ownership Test*). Hence, although we believe that our U.S. Holders do not satisfy the CFC Ownership Test currently, and it is not clear that they did for any prior portion of 2011, it is possible that they might be so treated. Therefore, if we are treated as a CFC for United States federal income tax purposes for any portion of our taxable year that includes this offering, we would likely be classified as a PFIC. If we are so classified, our ADSs or ordinary shares generally will continue to be treated as shares in a PFIC for all succeeding years during which a U.S. Holder (as defined in *Taxation Material United States Federal Income Tax Considerations General*) holds our ADSs or ordinary shares, unless we cease to be a PFIC (as is expected for 2012 and subsequent taxable years) and the U.S. Holder makes a *deemed sale election* or *deemed dividend election* with respect to the ADSs or ordinary shares. If you make a *deemed sale election*, you will be deemed to have sold the ADSs or ordinary shares you hold at their fair market value as of the last day of the last year during which we were a PFIC (the *termination date*). If you make a *deemed dividend election*, you will be required to include in income as a *deemed dividend* your pro-rata share of our earnings and profits accumulated during any portion of your holding period ending at the close of the termination date and attributable to the ADSs or ordinary shares held on the termination date. Any gain from such *deemed sale* or any income from such *deemed dividend* would be subject to the consequences described below under *Taxation Material United States Federal Income Tax Considerations Passive Foreign Investment Company Rules*. If we are not profitable (as determined for financial reporting purposes) for 2011, the *deemed dividend election* may not have any adverse United States federal income tax effect on you. Financial reporting accounting is different, however, from the computation of net income and earnings and profits under the Code. You are urged to consult your tax adviser regarding our possible status as a PFIC as well as the benefit of making an actual or protective *deemed dividend election* or *deemed sale election*.

Although the law in this area is in many instances unclear, based on our current income and assets and projections as to the value of our ADSs and outstanding ordinary shares pursuant to this offering, we do not expect to be treated as a PFIC for our 2012 taxable year or the foreseeable future thereafter. Therefore, if you make a *deemed sale* or *deemed dividend election* for 2011, your ADSs or ordinary shares with respect to which such election was made should not be treated as shares in a PFIC unless we subsequently become a PFIC. Regardless of whether we qualify as a PFIC or not for 2011, while we do not anticipate being a PFIC in 2012, because the value of our assets for purposes of the asset test will generally be determined by reference to the market price of our ADSs or ordinary shares, fluctuations in the market price of our ADSs or ordinary shares may cause us to continue being a PFIC for 2012 or subsequent taxable years. In estimating the value of our goodwill and other unbooked intangible assets we have taken into account our anticipated market capitalization following the closing of this offering. Among other matters, if our market capitalization is less than anticipated or subsequently declines, we may continue to be treated as a PFIC for one or more future taxable years. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income or where we determine not to deploy significant amounts of cash for active purposes, our risk of being classified as a PFIC for any given year may substantially increase. In addition, for purposes of determining whether we are a PFIC, we will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25%, by value, of the stock. If it were determined that we are not the owner of Qianxiang Tiancheng, Qianxiang Wangjing, Qianxiang Changda and Beijing Nuomi for United States federal income tax purposes, we would likely continue to be treated as a PFIC for the 2012 taxable year and any subsequent taxable year. We expect to file annual reports on Form 20-F with the U.S. Securities and Exchange Commission in which we will update our expectations as to whether or not we anticipate being a PFIC for such year.

If we were to be or become classified as a PFIC, a U.S. Holder may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the

Table of Contents

receipt of distributions on the ADSs or ordinary shares to the extent such gain or distribution is treated as an excess distribution under the United States federal income tax rules. Alternatively, United States holders of PFIC shares can sometimes avoid the rules described above by electing to treat such PFIC as a qualified electing fund. However, this option will not be available to U.S. Holders because, even if we were to be or become a PFIC, we do not intend to comply with the requirements necessary to permit U.S. Holders to make such election. If a U.S. Holder owns our ADSs or ordinary shares during any taxable year that we are a PFIC, the holder must file an annual report with the United States Internal Revenue Service, or the IRS. Each U.S. Holder is urged to consult its tax advisor concerning the United States federal income tax consequences of purchasing, holding and disposing of ADSs or ordinary shares if we are or become treated as a PFIC, including the possibility of making a mark-to-market election or deemed sale election and the unavailability of the election to treat us as a qualified electing fund. For more information see Taxation Material United States Federal Income Tax Considerations Passive Foreign Investment Company Considerations and Passive Foreign Investment Company Rules.

We will incur increased costs as a result of being a public company.

As a public company, we will incur significant accounting, legal and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the U.S. Securities and Exchange Commission and the NYSE, have detailed requirements concerning corporate governance practices of public companies, including Section 404 relating to internal control over financial reporting. We expect these and other rules and regulations applicable to public companies to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that reflect our current expectations and views of future events. The forward looking statements are contained principally in the sections titled Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and Business. Known and unknown risks, uncertainties and other factors, including those listed under Risk Factors, 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 some of these forward-looking statements by words or phrases such as may, will, expect, anticipate, aim, estimate, intend, believe, is/are likely to, potential, continue or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

our goal and strategies;

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

the expected growth of the SNS, online games and online advertising businesses in China;

our expectations regarding demand for and market acceptance of our services;

our expectations regarding the retention and strengthening of our relationships with key advertisers;

our investment plans to enhance our user experience, infrastructure and service offerings;

competition in our industry in China; and

relevant government policies and regulations relating to our industry.

This prospectus also contains certain data and information relating to the SNS, online advertising, online games and social commerce industries in China which we obtained from various government and private publications. This market data includes projections that are based on a number of assumptions. Our markets may not grow at the rates projected by the market data, or at all. The failure of our markets to grow at the projected rates may have a material adverse effect on our business and the market price of our ADSs. In addition, the rapidly changing nature of the SNS, online advertising, online games and social commerce industries in China subjects any projections or estimates relating to the growth prospects or future condition of our markets to significant uncertainties. If any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions.

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

Table of Contents

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering and the concurrent private placements of approximately US\$628.8 million, or approximately US\$726.1 million if the underwriters exercise in full their over-allotment option to purchase additional ADSs, after deducting underwriting discounts and the estimated offering expenses payable by us. These estimates are based upon an assumed initial public offering price of US\$13.00 per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus). A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$13.00 per ADS would increase (decrease) the net proceeds to us from this offering by US\$40.3 million, assuming the number of ADSs offered by us, as set forth on the front cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

The primary purposes of this offering are to enhance our profile and brand recognition, create a public market for our shares for the benefit of all shareholders, retain talented employees by providing them with equity incentives, and obtain additional capital. We plan to use the net proceeds of this offering and the concurrent private placements as follows:

approximately US\$180 million for investing in our technology and research and development activities;

approximately US\$180 million for expanding our sales and marketing activities, including marketing programs on the internet, television, outdoor media and other formats to increase our brand recognition, promote nuomi.com and jingwei.com, and promote games on our online games center; and

the balance for other general corporate purposes, including potential strategic acquisitions and investments.

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

Pending any use, as described above, we plan to invest the net proceeds in short-term, interest-bearing debt instruments or demand deposits.

In using the proceeds, as an offshore holding company, we are permitted, under PRC laws and regulations, to provide funding to our PRC subsidiary only through loans or capital contributions and to our consolidated affiliated entities only through loans. Subject to satisfaction of applicable government registration and approval requirements, we may extend loans to our PRC subsidiary and consolidated affiliated entities or make additional capital contributions to our PRC subsidiary to fund its capital expenditures or working capital. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. See **Risk Factors** **Risks Related to Our Corporate Structure** PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of this offering to make loans to our PRC subsidiary and consolidated affiliated entities or to make additional capital contributions to our PRC subsidiary, which may materially and adversely affect our liquidity and our ability to fund and expand our business.

We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.

Table of Contents

DIVIDEND POLICY

We have not paid in the past and do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future after this offering. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has complete discretion on whether to distribute dividends, subject to the approval of our shareholders. 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 the board of directors may deem relevant. If we pay any dividends, they will be paid in accordance with Cayman Islands law, which provides, in summary, that dividends may be paid out of profits and/or our share premium account provided that in the case of our share premium account, no such distribution or dividend paid to our shareholders will cause us to be unable to pay our debts as they fall due in the ordinary course of our business. In addition, the Companies Law (2010 Revision) of the Cayman Islands prevents us from offering our shares or securities to individuals within the Cayman Islands, which may limit our ability to distribute a dividend comprised of our shares or other securities. We will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See Description of American Depositary Shares. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

Table of Contents**CAPITALIZATION**

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

on an actual basis;

on a pro forma basis to reflect the automatic conversion of all of our preferred shares issued and outstanding into 725,668,320 ordinary shares immediately prior to the completion of this offering; and the redesignation of our ordinary shares into 531,662,870 Class A ordinary shares and 405,388,450 Class B ordinary shares immediately prior to the completion of this offering.

on a pro forma as adjusted basis to reflect: (1) the automatic conversion of all of our issued and outstanding preferred shares into ordinary shares immediately prior to the completion of this offering, (2) the redesignation of our ordinary shares into Class A ordinary shares and Class B ordinary shares immediately prior to the completion of this offering, (3) the sale by us in concurrent private placements of 25,384,612 Class A ordinary shares, which share number has been calculated based on the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus, with net proceeds to us of US\$109.1 million, and (4) the issuance and sale by us of 128,696,133 Class A ordinary shares in the form of ADSs in this offering at an assumed initial public offering price of US\$13.00 per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus), after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

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

	As of December 31, 2010		
	Actual	Pro Forma	Pro Forma
		As Adjusted	
		(in thousands of US\$)	
Series C convertible redeemable preferred shares	\$ 28,520	\$	\$
Series D convertible redeemable preferred shares	571,439		
Equity (deficit):			
Series A convertible preferred shares	85		
Series B convertible preferred shares	82		
Ordinary shares, US\$0.001 par value, 2,000,000,000 shares authorized, 211,383,000 shares issued and outstanding, and nil shares issued and outstanding on a pro forma basis	211		
Class A ordinary shares, US\$0.001 par value, 3,000,000,000 shares authorized, 531,662,870 shares issued and outstanding on a pro forma basis, 685,743,615 shares issued and outstanding on a pro forma as adjusted basis		532	686
Class B ordinary shares, US\$0.001 par value, 500,000,000 shares authorized, 405,388,450 shares issued and outstanding on a pro forma as adjusted basis		405	405
Additional paid-in capital ⁽¹⁾	9,470	608,870	1,237,528
Subscription receivable	(4,909)	(4,909)	(4,909)
Statutory reserves	2,595	2,595	2,595
Accumulated deficit	(223,572)	(223,572)	(223,572)
Accumulated other comprehensive income	46,646	46,646	46,646
Total equity (deficit)	(169,392)	430,567	1,059,379
Total capitalization ⁽¹⁾	\$ 430,567	\$ 430,567	\$ 1,059,379

Edgar Filing: Renren Inc. - Form F-1/A

- (1) A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$13.00 per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus) would increase (decrease) each of additional paid-in capital, total shareholders equity and total capitalization by US\$40.3 million.

Table of Contents**DILUTION**

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

Our net tangible book value as of December 31, 2010 was approximately negative US\$169.4 million, or negative US\$0.66 per ordinary share as of that date, and negative US\$1.97 per ADS. Net tangible book value represents the amount of our total consolidated assets, less the amount of our intangible assets, goodwill, total consolidated liabilities and series C and series D convertible redeemable preferred shares. Dilution is determined by subtracting net tangible book value per ordinary share, after giving effect to (1) the automatic conversion of all of our issued and outstanding preferred shares into ordinary shares immediately upon the completion of this offering, (2) the issuance and sale in concurrent private placements of 25,384,612 Class A ordinary shares, calculated based on the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus, with net proceeds to us of US\$109.1 million and (3) the issuance and sale by us of 42,898,711 ADSs offered in this offering at an assumed initial public offering price of US\$13.00 per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus) after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us. Because the Class A ordinary shares and Class B ordinary shares have the same dividend and other rights, except for voting and conversion rights, the dilution is presented based on all ordinary shares, including Class A ordinary shares and Class B ordinary shares.

Without taking into account any other changes in net tangible book value after December 31, 2010, other than to give effect to (1) the automatic conversion of all of our issued and outstanding preferred shares into ordinary shares immediately prior to the completion of this offering, (2) the issuance and sale in concurrent private placements of 25,384,612 Class A ordinary shares, calculated based on the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus, with net proceeds to us of US\$109.1 million and (3) the issuance and sale by us of 42,898,711 ADSs offered in this offering at an assumed initial public offering price of US\$13.00 per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus) after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of December 31, 2010 would have been US\$1.1 billion, or US\$0.92 per outstanding ordinary share and US\$2.75 per ADS. This represents an immediate increase in net tangible book value of US\$0.49 per ordinary share and US\$1.47 per ADS to the existing shareholders and an immediate dilution in net tangible book value of US\$3.41 per ordinary share and US\$10.25 per ADS to investors purchasing ADSs in this offering. The following table illustrates such dilution:

	Per Share	Per ADS
Actual net tangible book value per share as of December 31, 2010	US\$ (0.66)	US\$ (1.97)
Pro forma net tangible book value per share after giving effect to (1) the automatic conversion of all of our issued and outstanding preferred shares into ordinary shares and (2) the concurrent private placements	US\$ 0.43	US\$ 1.28
Pro forma as adjusted net tangible book value per share after giving effect to (1) the automatic conversion of all of our issued and outstanding preferred shares into ordinary shares, (2) the concurrent private placements, and (3) this offering	US\$ 0.92	US\$ 2.75
Assumed initial public offering price	US\$ 4.33	US\$ 13.00
Dilution in net tangible book value per share to new investors in the offering	US\$ 3.41	US\$ 10.25
The amount of dilution in net tangible book value to new investors in this offering set forth above is calculated by deducting (i) the pro forma net tangible book value after giving effect to the automatic conversion		

Table of Contents

of our preferred shares from (ii) the pro forma net tangible book value after giving effect to the automatic conversion of our preferred shares and this offering.

The following table summarizes, on a pro forma basis as of December 31, 2010, the differences between existing shareholders, including holders of our preferred shares, and the new investors with respect to the number of ordinary shares (in the form of ADSs or shares) purchased from us, the total consideration paid and the average price per ordinary share/ADS paid before deducting the underwriting discounts and commissions and estimated offering expenses. The total number of ordinary shares does not include ordinary shares underlying the ADSs issuable upon the exercise of the over-allotment option granted to the underwriters.

	Ordinary Shares Purchased		Total Consideration		Average Price Per Ordinary Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
(in thousands of US\$, except number of shares and percentages)						
Existing shareholders	994,195,900	86.6%	US\$ 420,036	38.6%	0.42	1.27
New investors	154,080,745	13.4%	US\$ 677,683	61.4%	4.33	13.00
Total	1,148,276,645	100.0%	US\$ 1,087,719	100.0%		

A US\$1.00 increase (decrease) in the assumed public offering price of US\$13.00 per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus) would increase (decrease) our pro forma net tangible book value after giving effect to the offering by US\$40.3 million, the pro forma net tangible book value per ordinary share and per ADS after giving effect to the automatic conversion of our preferred shares and this offering by US\$0.04 per ordinary share and US\$0.11 per ADS and the dilution in pro forma net tangible book value per ordinary share and per ADS to new investors in this offering by US\$0.30 per ordinary share and US\$0.89 per ADS, assuming no change to the number of ADSs offered by us as set forth on the front cover page of this prospectus, and after deducting underwriting discounts and commissions and other offering expenses.

The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

The discussion and tables above also do not take into consideration any outstanding share options and issued but unvested ordinary shares. As of the date of this prospectus, there were 51,683,790 ordinary shares issuable upon exercise of outstanding share options at a weighted average exercise price of US\$0.61 per share, and there were 67,782,628 ordinary shares available for future issuance upon the exercise of future grants under our 2009 Equity Incentive Plan, as amended, and our 2011 Share Incentive Plan. As of the date of this prospectus, there were 26,098,810 issued but unvested ordinary shares. To the extent that any of these options are exercised and the unvested ordinary shares become vested, there will be further dilution to new investors.

Table of Contents**EXCHANGE RATE INFORMATION**

Substantially all of our operations are conducted in China and substantially all of our revenues are denominated in RMB. This prospectus contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this prospectus were made at a rate of RMB6.6000 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 30, 2010. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, at the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. On April 29, 2011, the exchange rate was RMB6.4900 to US\$1.00.

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you. For all dates and periods through December 31, 2008, exchange rates of RMB into U.S. dollars are based on the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. For January 1, 2009 and all later dates and periods, the exchange rate refers to the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board.

Period	Period End	Noon Buying Rate		
		Average ⁽¹⁾	Low	High
(RMB per US\$1.00)				
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
October	6.6705	6.6675	6.6912	6.6397
November	6.6670	6.6538	6.6892	6.6630
December	6.6000	6.6497	6.6745	6.6000
2011				
January	6.6017	6.5964	6.6364	6.5809
February	6.5713	6.5761	6.5965	6.5520
March	6.5483	6.5645	6.5743	6.5483
April	6.4900	6.5267	6.5477	6.4900

Source: Federal Reserve Statistical Release

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

Table of Contents

ENFORCEABILITY OF CIVIL LIABILITIES

We were incorporated in the Cayman Islands in order to enjoy certain benefits, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of exchange control or currency restrictions, and the availability of professional and support services. However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include a less developed body of Cayman Islands securities laws that provide significantly less protection to investors as compared to the laws of the United States, and the potential lack of standing by Cayman Islands companies to sue before the federal courts of the United States.

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

Substantially all of our operations are conducted in China, and substantially all of our assets are located in China. Some of our officers are nationals or residents of jurisdictions other than the United States and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

We have appointed Law Debenture Corporate Services Inc. as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Appleby, our counsel as to Cayman Islands law, and TransAsia Lawyers, our counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or

entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Appleby has further advised us that a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, and which was neither obtained by fraud or in proceedings contrary to natural justice or the public policy of the Cayman Islands, may be subject to enforcement proceedings as a debt in the courts of the Cayman Islands under the common law doctrine of obligation without any re-examination of the merits of the underlying dispute. However, the Cayman Islands courts are unlikely to enforce a punitive judgment of a United States court predicated upon the liabilities provision of the federal securities laws in the United States without retrial on the merits if such judgment gives rise to obligations to make payments that may be regarded as fines, penalties or similar charges.

TransAsia Lawyers has further advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other form of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

Table of Contents

CORPORATE HISTORY AND STRUCTURE

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

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

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

To focus on our SNS and social commerce services in China, we disposed Mop.com and Gummy Inc. to Oak Pacific Holdings in December 2010. Oak Pacific Holdings is a company owned by some of our shareholders, including Mr. Joseph Chen, our founder, chairman and chief executive officer, and Mr. James Jian Liu, our director and chief operating officer. For more information on the sale of Mop.com and Gummy Inc. to Oak Pacific Holdings, see **Related Party Transactions** **Disposal of Mop.com and Gummy Inc.**

Applicable PRC laws and regulations currently restrict foreign ownership of companies that provide value-added telecommunications services. To comply with these foreign ownership restrictions, our wholly owned subsidiary Qianxiang Shiji has entered into a series of contractual arrangements with Qianxiang Tiancheng, and we conduct our operations in China principally through Qianxiang Tiancheng and its three wholly owned subsidiaries, Qianxiang Wangjing, Beijing Nuomi and Qianxiang Changda, which we treated as our consolidated affiliated entities in China.

Table of Contents

The following diagram illustrates our anticipated shareholding, voting and corporate structure immediately after the completion of this offering, assuming (i) the underwriters do not exercise their over-allotment option to purchase additional ADSs, and (ii) we will issue and sell a total of 25,384,612 Class A ordinary shares to a group of unrelated third-party investors through concurrent private placements, which number of shares has been calculated based on an initial public offering price range of US\$13.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus:

- (1) Consists of 270,258,970 Class B ordinary shares. Class B ordinary shares have the same rights as Class A ordinary shares except (i) in all matters subject to shareholder vote, Class B ordinary shares are entitled to ten votes whereas Class A ordinary shares are entitled to one vote, and (ii) conversion rights. For a description of Class A ordinary shares and Class B ordinary shares, see Description of Share Capital.
- (2) Consists of 270,258,971 Class A ordinary shares and 135,129,480 Class B ordinary shares.

Table of Contents

(3) Qianxiang Tiancheng and its three wholly owned subsidiaries, Qianxiang Wangjing, Qianxiang Changda and Beijing Nuomi, are our consolidated affiliated entities in China. Qianxiang Tiancheng is 99% owned by Ms. Jing Yang, who is the wife of Mr. Joseph Chen, our founder, chairman and chief executive officer, and 1% owned by Mr. James Jian Liu, our executive director and chief operating officer. We effectively control Qianxiang Tiancheng and its three subsidiaries through contractual arrangements.

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

Qianxiang Tiancheng has three wholly owned subsidiaries, namely Qianxiang Wangjing, Qianxiang Changda and Beijing Nuomi. Qianxiang Wangjing is the operator of our renren.com website and holds the licenses and permits necessary to conduct our real name social networking services, online advertising and online game business in China. Beijing Nuomi is the operator of our nuomi.com website and holds the licenses and permits necessary to conduct our social commerce business in China. Qianxiang Changda is an online advertising company that plans to apply for the licenses and permits necessary to conduct our social networking services and online games business.

Our wholly owned subsidiary Qianxiang Shiji has entered into a series of contractual arrangements with Qianxiang Tiancheng and its shareholders, which enable us to:

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

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

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

We do not have any equity interest in our consolidated affiliated entities. However, we have been and are expected to continue to be dependent on our consolidated affiliated entities to operate our business as long as PRC law does not allow us to directly operate such business in China. We rely on our consolidated affiliated entities to maintain or renew their respective qualifications, licenses or permits necessary for our business in China. We believe that under our contractual arrangements, we have substantial control over our consolidated affiliated entities and their respective shareholders to renew, revise or enter into new contractual arrangements prior to the expiration of the current arrangements on terms that would enable us to continue to operate our business in China after the expiration of the current arrangements, or pursuant to certain amendments and changes of the current applicable PRC laws, regulations and rules on terms that would enable us to continue to operate our business in China legally. For a detailed description of the regulatory environment that necessitates the adoption of our corporate structure, see the section in this prospectus headed **Regulation**. For a detailed description of the risks associated with our corporate structure and the contractual arrangements that support our corporate structure, see **Risk Factors** **Risks Related to Our Corporate Structure**.

Table of Contents

Contractual Arrangements with Our Consolidated Affiliated Entities

The following is a summary of the currently effective contracts among our subsidiary Qianxiang Shiji, our consolidated affiliated entity Qianxiang Tiancheng, and the shareholders of Qianxiang Tiancheng.

Agreements that Provide Us Effective Control over Qianxiang Tiancheng

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

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

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

Agreements that Transfer Economic Benefits to Us

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

Table of Contents

written notice. Qianxiang Tiancheng is not permitted to terminate this agreement prior to the expiration of the term, unless Qianxiang Shiji fails to comply with any of its obligations under this agreement and such breach makes Qianxiang Shiji unable to continue to perform this agreement.

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

Equity Interest Pledge Agreements. Pursuant to equity interest pledge agreements between Qianxiang Shiji and each of the shareholders of Qianxiang Tiancheng, the shareholders of Qianxiang Tiancheng pledge all of their equity interests in Qianxiang Tiancheng to Qianxiang Shiji, to guarantee Qianxiang Tiancheng and its shareholders' performance of their obligations under, where applicable, (i) the loan agreements, (ii) the exclusive technical service agreement, (iii) the intellectual property right license agreement and (iv) the equity option agreements. If Qianxiang Tiancheng and/or any of its shareholders breach their contractual obligations under the aforesaid agreements, Qianxiang Shiji, as the pledgee, will be entitled to certain rights and entitlements, including the priority in receiving payments by the evaluation or proceeds from the auction or sale of whole or part of the pledged equity interests of Qianxiang Tiancheng in accordance with legal procedures. Without Qianxiang Shiji's prior written consent, shareholders of Qianxiang Tiancheng shall not transfer or assign the pledged equity interests, or incur or allow any encumbrance that would jeopardize Qianxiang Shiji's interests. During the term of this agreement, Qianxiang Shiji is entitled to collect all of the dividends or other distributions, if any, derived from the pledged equity interests. The equity interest pledge will be effective upon the completion of the registration of the pledge with the competent local branch of the SAIC, and expire on the earlier of: (i) the date on which Qianxiang Tiancheng and its shareholders have fully performed their obligations under the loan agreements, the exclusive technical service agreement, the intellectual property right license agreement and the equity option agreements; (ii) the enforcement of the pledge by Qianxiang Shiji pursuant to the terms and conditions under this agreement to fully satisfy its rights under such agreements; or (iii) the completion of the transfer of all equity interests of Qianxiang Tiancheng by the shareholders of Qianxiang Tiancheng to another individual or legal entity designated by Qianxiang Shiji pursuant to the equity option agreement and no equity interest of Qianxiang Tiancheng is held by such shareholders. We have registered the pledge of the equity interests in Qianxiang Tiancheng with the competent local branch of the SAIC. To date, Qianxiang Tiancheng and its shareholders have fully performed their obligations under the relevant agreements but such obligations will remain binding until the expiration of the terms of such agreements, which are generally ten years subject to automatic renewal for an additional ten-year term or earlier termination as set forth in such agreements.

Agreements that Provide Us the Option to Purchase the Equity Interests in Qianxiang Tiancheng

Equity Option Agreements. Pursuant to equity option agreements between Qianxiang Shiji and each of the shareholders of Qianxiang Tiancheng, Qianxiang Tiancheng's shareholders granted Qianxiang Shiji or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of

Table of Contents

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

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

In the opinion of TransAsia Lawyers, our PRC legal counsel:

the corporate structure of our consolidated affiliated entities and our subsidiary in China comply with all existing PRC laws and regulations;

the contractual arrangements among Qianxiang Shiji and our consolidated affiliated entity, Qianxiang Tiancheng and its shareholders, that are governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect; and

each of our PRC subsidiary and each of our consolidated affiliated entities has all necessary corporate power and authority to conduct its business as described in its business scope under its business license. The business licenses of our PRC subsidiary and each of our consolidated affiliated entities are in full force and effect. Each of our PRC subsidiary and our consolidated affiliated entities is capable of suing and being sued and may be the subject of any legal proceedings in PRC courts. To the best of TransAsia's knowledge after due inquiries, none of our PRC subsidiary, consolidated affiliated entities or their respective assets is entitled to any immunity, on the grounds of sovereignty, from any action, suit or other legal proceedings; or from enforcement, execution or attachment.

We have been advised by our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC counsel that if the PRC government finds that the agreements that establish the structure for operating our PRC social networking, online advertising, online games and social commerce services do not comply with PRC government restrictions on foreign investment in value-added telecommunication services, we could be subject to severe penalties, including being prohibited from continuing

Table of Contents

operations. See **Risk Factors** **Risks Related to Our Corporate Structure** If the PRC government finds that the agreements that establish the structure for operating our services in China do not comply with PRC governmental restrictions on foreign investment in internet business, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations and **Risk Factors** **Risks Related to Doing Business in China** Uncertainties with respect to the PRC legal system could adversely affect us.

PRC Regulations on Loans and Direct Investment by Offshore Holding Companies

We are an offshore holding company conducting our operations in China through our PRC subsidiary and consolidated affiliated entities. PRC regulations of loans and direct investment by offshore holding companies to PRC entities may limit our use of the proceeds we expect to receive from this offering. See **Risk Factors** **Risks Related to Our Corporate Structure** PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may limit our use of the proceeds we receive from this offering to fund our expansion or operations.

Our Shareholding and Voting Structure

In April 2011, our shareholders approved a dual-class ordinary share structure, which will become effective immediately prior to the closing of this offering. Immediately prior to the completion of this offering, (i) 25,571,420 series A preferred shares, 70,701,580 series B preferred shares and 173,985,970 ordinary shares held by Mr. Joseph Chen, our founder, chairman and chief executive officer, will be converted into Class B ordinary shares on a one-for-one basis, (ii) 135,129,480 preferred shares held by SB Pan Pacific Corporation will be converted into Class B ordinary shares on a one-for-one basis, and (iii) all of the remaining ordinary and preferred shares will be converted into Class A ordinary shares on a one-for-one basis. The ADSs being sold in this offering represent Class A ordinary shares, and all ordinary shares issued after the closing of this offering will be Class A ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. In respect of matters requiring a shareholders' vote, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes. Each Class B ordinary share 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 circumstance. Class B ordinary shares will automatically convert into the same number of Class A ordinary shares under certain circumstances. For a description of Class A ordinary shares and Class B ordinary shares, see **Description of Share Capital**.

The following diagram illustrates our shareholding and voting structure immediately after the completion of this offering, assuming (i) the underwriters do not exercise their over-allotment option to purchase additional ADSs, and (ii) we will issue and sell a total of 25,384,612 Class A ordinary shares to a group of unrelated third-party investors through concurrent private placements, which number of shares has been calculated based on an initial public offering price of US\$13.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus:

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial information for the periods and as of the dates indicated should be read in conjunction with our audited consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

Our selected consolidated statement of operations data presented below for the years ended December 31, 2008, 2009 and 2010 and our selected consolidated balance sheet data as of December 31, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our balance sheet data as of December 31, 2008 has been derived from our audited financial statements not included elsewhere in this prospectus. Our audited consolidated financial statements are prepared in accordance with U.S. GAAP and have been audited by Deloitte Touche Tohmatsu CPA Ltd., an independent registered public accounting firm. We were incorporated in February 2006 and our SNS website, originally www.xiaonei.com, was launched in October 2005. This website was subsequently renamed www.renren.com in August 2009. We have not included financial information for the two years ended December 31, 2007, as such information is not available on a basis that is consistent with the consolidated financial information for the years ended December 31, 2008, 2009 and 2010, and cannot be provided on a U.S. GAAP basis without unreasonable effort or expense. Our historical results do not necessarily indicate results expected for any future periods.

Table of Contents

	2008	Year ended December 31, 2009 (in thousands of US\$, except for share, per share and per ADS data)	2010
Selected Consolidated Statement of Operations Data:			
Net revenues	\$ 13,782	\$ 46,684	\$76,535
Cost of revenues	5,667	10,379	16,624
Gross profit	8,115	36,305	59,911
Operating expenses ⁽¹⁾ :			
Selling and marketing	7,111	19,375	20,281
Research and development	4,921	12,937	23,699
General and administrative	4,045	6,510	7,511
Impairment of intangible assets		211	739
Total operating expenses	16,077	39,033	52,230
(Loss) gain from operations	(7,962)	(2,728)	7,681
Change in fair value of warrants	72,875	(68,184)	(74,364)
Exchange (loss) gain on dual currency deposit	(12,908)	1,673	3,781
Interest income	801	288	335
Realized gain on marketable securities		755	
Gain on disposal of cost of method investment			40
Impairment of cost method investment	(350)		
Income (loss) before provision for income tax and loss in equity method investment, net of income taxes	52,456	(68,196)	(62,527)
Income tax (expenses) benefit	(523)	31	1,332
Income (loss) before loss in equity method investment, net of income taxes	51,933	(68,165)	(61,195)
Losses in equity method investment, net of income taxes	(41)	(102)	
Income (loss) from continuing operations	51,892	(68,267)	(61,195)
Discontinued operations:			
Loss from discontinued operations, net of tax	(2,740)	(2,481)	(4,301)
Gain on disposal of discontinued operations, net of tax		633	1,341
Loss on discontinued operations, net of tax	(2,740)	(1,848)	(2,960)
Net income/(loss)	49,152	(70,115)	(64,155)
Add: Net loss attributable to the noncontrolling interest	185		
Net income/(loss) attributable to Renren Inc.	\$ 49,337	\$ (70,115)	\$(64,155)
Net income (loss) per share:			
Income (loss) from continuing operations per share attributable to Renren Inc. shareholders:			
Basic	\$ 0.00	\$ (0.34)	\$ (0.30)
Diluted	\$ 0.00	\$ (0.34)	\$ (0.30)
Loss from discontinued operations per share attributable to Renren Inc. shareholders:			
Basic	\$ (0.01)	\$ (0.01)	\$ (0.01)

Edgar Filing: Renren Inc. - Form F-1/A

Diluted	\$	(0.01)	\$	(0.01)	\$	(0.01)
---------	----	--------	----	--------	----	--------

Net loss per share attributable to Renren Inc. shareholders:

Basic	\$	(0.01)	\$	(0.35)	\$	(0.31)
Diluted	\$	(0.01)	\$	(0.35)	\$	(0.31)

Net loss per ADS⁽²⁾:

Basic	\$	(0.02)	\$	(1.03)	\$	(0.94)
Diluted	\$	(0.02)	\$	(1.03)	\$	(0.94)

Weighted average number of shares used in calculating net income (loss) per ordinary share:

Basic	247,587,070	250,730,367	244,613,530
Diluted	251,533,130	250,730,367	244,613,530

Table of Contents

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

	2008	Year ended December 31, 2009	2010
		(in thousands of US\$)	
Allocation of Share-based Compensation Expenses:			
Selling and marketing	\$ 79	\$ 78	\$ 121
Research and development	176	232	572
General and administrative	977	1,946	2,105
Total share-based compensation expenses	\$ 1,232	\$ 2,256	\$ 2,798

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

	2008	2009	As of December 31,		
			2010		Pro forma
				Pro	as
				forma ⁽¹⁾	adjusted ⁽²⁾
			Actual		
			(in thousands of US\$)		
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 51,424	\$ 90,376	\$ 136,063	\$ 136,063	\$ 764,875
Short-term investments	14,369	36,369	62,318	62,318	62,318
Accounts receivable, net	5,991	14,362	12,815	12,815	12,815
Warrants-asset	63,710				
Total current assets	138,011	147,409	437,519	437,519	1,066,331
Total assets	165,244	179,122	456,474	456,474	1,085,286
Warrants-liability		21,481			
Total current liabilities	9,640	40,769	25,391	25,391	25,391
Total liabilities	10,881	41,706	25,907	25,907	25,907
Series C convertible redeemable preferred shares	36,764	28,520	28,520		
Series D convertible redeemable preferred shares	130,000	193,398	571,439		
Total equity (deficit)	\$ (12,401)	\$ (84,502)	\$ (169,392)	\$ 430,567	\$ 1,059,379

Notes:

- (1) Our consolidated balance sheet data as of December 31, 2010 on a pro forma basis reflects (i) the automatic conversion of all of our issued and outstanding preferred shares into ordinary shares immediately prior to the completion of this offering and (ii) the redesignation of our ordinary shares into Class A ordinary shares and Class B ordinary shares immediately prior to the completion of this offering.
- (2) Our consolidated balance sheet data as of December 31, 2010 on a pro forma as adjusted basis reflects (a) the automatic conversion of all of our issued and outstanding preferred shares into ordinary shares upon the closing of this offering; (b) the net proceeds we will receive in this offering, and (c) the net proceeds we will receive from our issuance and sale of Class A ordinary shares to a group of third-party investors through concurrent private placements, in each of (b) and (c) above, assuming an initial offering price of US\$13.00 per ADS (equivalent to US\$4.33 per Class A ordinary share), the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus.

Table of Contents**RECENT DEVELOPMENTS**

The following is a summary of our selected unaudited consolidated statement of operations data for the three months ended March 31, 2011, compared to our selected unaudited consolidated statement of operations data for the three months ended December 31, 2010 and March 31, 2010, together with selected unaudited consolidated balance sheet data as of March 31, 2011. Our financial results for the three months ended March 31, 2011 may not be indicative of our financial results for the full year ending December 31, 2011 or for future interim periods. See Risk Factors Risks Related 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. See also Management's Discussion and Analysis of Financial Condition and Results of Operations for information regarding trends and other factors that may influence our results of operations and financial condition.

	March 31, 2010	Three Months Ended December 31, 2010 (in thousands of US\$)	March 31, 2011
Selected Consolidated Statement of Operations Data:			
Net revenues			
Online advertising	\$ 4,055	\$ 9,003	\$ 8,130
IVAS	9,965	11,894	12,422
Total net revenues	14,020	20,897	20,552
Cost of revenues	(3,558)	(4,222)	(4,069)
Gross profit	10,462	16,675	16,483
Operating expenses:			
Selling and marketing	(4,852)	(4,777)	(9,776)
Research and development	(4,690)	(7,094)	(8,425)
General and administrative	(1,677)	(1,739)	(2,957)
Impairment of intangible assets		(739)	
Total operating expenses	(11,219)	(14,349)	(21,158)
(Loss) gain from operations	(757)	2,326	(4,675)
Change in fair value of warrants	(10,512)	(37,222)	
Loss from continuing operations	(10,662)	(34,235)	(2,600)
Net loss	\$ (12,075)	\$ (33,860)	\$ (2,600)
Non-GAAP financial measure⁽¹⁾			
Adjusted net income (loss)⁽¹⁾	\$ 645	\$ 5,198	\$ (1,100)

- (1) See Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measure for more information on the limitations of using adjusted net income (loss) as an analytical tool. Adjusted net income (loss) for the three months ended March 31, 2010, December 31, 2010 and March 31, 2011 is calculated as follows:

	March 31,	Three Months Ended December 31, 2010	March 31, 2011
--	----------------------	---	---------------------------

Edgar Filing: Renren Inc. - Form F-1/A

	2010		
	(in thousands of US\$)		
Loss from continuing operations	\$ (10,662)	\$ (34,235)	\$ (2,600)
Add back: Share-based compensation expenses	641	796	1,325
Add back: Change in fair value of warrants	10,512	37,722	
Add back: Amortization of intangible assets	154	176	175
Add back: Impairment of intangible assets		739	
Adjusted net income (loss)	\$ 645	\$ 5,198	\$ (1,100)

Table of Contents

Net revenues. Our net revenues for the three months ended March 31, 2011 were US\$20.6 million, a 46.6% increase from US\$14.0 million for the three months ended March 31, 2010 and a 1.7% decrease from US\$20.9 million for the three months ended December 31, 2010. The change in net revenues as compared to the three months ended March 31, 2010 was due to the change in both our online advertising revenues and IVAS revenues.

Online advertising. Our online advertising revenues increased by 100.5% from US\$4.1 million for the three months ended March 31, 2010 to US\$8.1 million for the three months ended March 31, 2011. This increase was attributable to the growth of our SNS platform and user base and therefore the increased use of our platform by advertisers to reach our users. The number of our activated users increased from approximately 91 million as of March 31, 2010 to approximately 117 million as of March 31, 2011, and our monthly unique log-in users increased from approximately 23 million in March 2010 to approximately 31 million in March 2011. We were able to effectively increase the average spending per advertiser by selling more advertising time and space to advertisers during the period and increase the effective average price for our advertising time and space. As most of our advertisers conduct advertising campaigns on our websites across different months or quarters in a given year, a quantitative analysis of the number of our advertisers on a quarterly basis is not meaningful.

Our online advertising revenues decreased by 9.7% from US\$9.0 million for the three months ended December 31, 2010. Such decrease was due to the seasonal fluctuations of our online advertising business. We generally generate less revenues from online advertising during the first quarter of each year due to the slowdown of business during the Chinese New Year holiday season that lasts approximately two weeks.

IVAS. Our IVAS revenues increased by 24.7% from US\$10.0 million for the three months ended March 31, 2010 to US\$12.4 million for the three months ended March 31, 2011. Compared to the three months ended December 31, 2010, our IVAS revenues increased by 4.4% from US\$11.9 million for the three months ended December 31, 2010. The increase in IVAS revenues was due to increases in both online games revenues and other IVAS revenues.

Online games revenues was US\$9.1 million for the three months ended March 31, 2011, an increase of 11.3% from US\$8.2 million for the three months ended March 31, 2010 and an increase of 6.2% from US\$8.6 million for the three months ended December 31, 2010. The increases were due to the increases in the revenues generated from both self-developed games and third-party developed games. The number of third-party developed games we offered increased from 13 as of March 31, 2010 to 28 as of December 31, 2010 and to 30 as of March 31, 2011. For our self-developed games, we had approximately 217,000 active paying accounts for the three months ended March 31, 2011, compared to approximately 230,000 active paying accounts for the three months ended March 31, 2010 and 204,000 active paying accounts for the three months ended December 31, 2010.

Other IVAS revenues was US\$3.3 million for the three months ended March 31, 2011, an increase of 87.6% from US\$1.8 million for the three months ended March 31, 2010 and a decrease of 0.3% from US\$3.3 million for the three months ended December 31, 2010. The increase as compared with the three months ended March 31, 2010 was due to increases in revenues from paid applications, VIP memberships, social commerce services and other value-added services we provided to our customers. Revenues from paid applications and VIP memberships increased from US\$1.4 million for the three months ended March 31, 2010 to US\$1.9 million for the three months ended December 31, 2010 and to US\$2.0 million for the three months ended March 31, 2011. Such increase in revenues from paid applications and VIP memberships were a result of the further monetization of our platform during the period, as evidenced by the increase in our other IVAS active paying users.

Table of Contents

amounted to approximately 473,000 in the three months ended March 31, 2011, increased from approximately 449,000 in the three months ended March 31, 2010 and approximately 418,000 in the three months ended December 31, 2010. Revenues derived from our social commerce services increased from nil for the three months ended March 31, 2010 to US\$0.9 million for the three months ended March 31, 2011. As of March 31, 2011, we had 2.8 million registered Nuomi users, including 1.3 million paying users, compared to approximately 1.6 million registered Nuomi users, including approximately 0.7 million paying users as of December 31, 2010.

Cost of revenues. Our cost of revenues for the three months ended March 31, 2011 was US\$4.1 million, a 14.4% increase from US\$3.6 million for the three months ended March 31, 2010 and a 3.6% decrease from US\$4.2 million for the three months ended December 31, 2010. As a percentage of our total net revenues, our cost of revenues decreased from 25.4% for the three months ended March 31, 2010, to 20.2% for the three months ended December 31, 2010 and to 19.8% for the three months ended March 31, 2011.

Operating expenses. Operating expenses for the three months ended March 31, 2011 were US\$21.2 million, an 88.6% increase from US\$11.2 million for the three months ended March 31, 2010 and a 47.5% increase from US\$14.3 million for the three months ended December 31, 2010. The increases were due to increases in our selling and marketing expenses, research and development expenses and general and administrative expenses. Selling and marketing expenses for the three months ended March 31, 2011 were US\$9.8 million, compared to US\$4.9 million for the three months ended March 31, 2010 and US\$4.8 million for the three months ended December 31, 2010. Research and development expenses were US\$8.4 million for the three months ended March 31, 2011, compared to US\$4.7 million for the three months ended March 31, 2010 and US\$7.1 million for the three months ended December 31, 2010. General and administrative expenses were US\$3.0 million for the three months ended March 31, 2011, compared to US\$1.7 million for the three months ended March 31, 2010 and US\$1.7 million for the three months ended December 31, 2010. During the three months ended March 31, 2011, we substantially increased our selling and marketing expenses to carry out our brand advertisement campaign for Nuomi and expanded our research and development efforts, and as a result, our operating expenses as a percentage of our net revenues increased from 80.0% for the three months ended March 31, 2010 to 102.9% for the three months ended March 31, 2011. Our total operating expenses for the three months ended March 31, 2011 included share-based compensation expenses of US\$1.3 million, compared to US\$0.6 million for the three months ended March 31, 2010 and US\$0.8 million for the three months ended December 31, 2010.

Loss from continuing operations. Loss from continuing operations for the three months ended March 31, 2011 was US\$2.6 million, compared to US\$10.7 million for the three months ended March 31, 2010 and US\$34.2 million for the three months ended December 31, 2010.

Adjusted net income/loss (Non-GAAP). Our adjusted net loss for the three months ended March 31, 2011 was US\$1.1 million, as compared to US\$0.6 million adjusted net income for the three months ended March 31, 2010 and US\$5.2 million adjusted net income for the three months ended December 31, 2010. Our US\$1.1 million adjusted net loss for the three months ended March 31, 2011 reflected an aggregate amount of US\$1.5 million in non-cash expenses for share-based compensation expenses and amortization of intangible assets being added back to our US\$2.6 million loss from continuing operations. Our US\$0.6 million adjusted net income for the three months ended March 31, 2010 reflected an aggregate amount of US\$11.3 million in non-cash expenses consisting of the change in fair value of our then outstanding series D warrants, share-based compensation expenses and amortization of intangible assets being added back to our US\$10.7 million loss from continuing operations. Our US\$5.2 million adjusted net income for the three months ended December 31, 2010 reflected an aggregate amount of US\$39.4 million in non-cash expenses consisting of the change in fair value of our then outstanding series D warrants, share-based compensation expenses, amortization of intangible assets and impairment of intangible assets being added back to our US\$34.2 million loss from continuing operations. Adjusted net income (loss) is a non-GAAP financial measure. See Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measure for more information.

Table of Contents

Net loss. Net loss for the three months ended March 31, 2011 was US\$2.6 million, compared to US\$12.1 million for the three months ended March 31, 2010 and US\$33.9 million for the three months ended December 31, 2010.

As of March 31, 2011, we had US\$334.8 million in cash and cash equivalents and US\$44.5 million in short-term investments. As of March 31, 2011, our total bank borrowings and outstanding debt notes were nil. Our cash and cash equivalents increased by US\$198.7 million from US\$136.1 million as of December 31, 2010 primarily due to the US\$198.1 million proceeds received by us in January 2011 as a result of the exercise of 151,076,440 tranche 4 series D warrants by SOFTBANK CORP in December 2010.

Table of Contents

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

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

Overview

We operate the leading real name social networking internet platform in China as measured by total page views and total user time spent on social networking websites in February 2011, based on data issued in March 2011 by iResearch. Our platform enables our users to connect and communicate with each other, share information and user-generated content, play online games, listen to music, shop for deals and enjoy a wide range of other features and services. We had approximately 117 million activated users as of March 31, 2011. We believe our users are attracted to our large and highly engaged real name community, the broad range of rich communication features and functions, our information and content-sharing features, our offering of a variety of online games and other applications and services. Our platform includes renren.com, which is our main social networking website, game.renren.com, which is our online games center, nuomi.com, which is our social commerce website, as well as jingwei.com, which is our newly launched professional and business social networking service website.

We currently generate revenues from online advertising and IVAS. Our online advertising revenues are derived from a wide range of formats and solutions, which collectively accounted for 49.2%, 39.4% and 41.8% of our total net revenues in 2008, 2009 and 2010, respectively, and our IVAS revenues accounted for 50.8%, 60.6% and 58.2% of our total net revenues in 2008, 2009 and 2010, respectively. Our IVAS revenues are comprised of online games revenues and other IVAS revenues. The substantial majority of our IVAS revenues are derived from online games, and the substantial majority of our online games revenues are generated from users' purchases of in-game virtual items offered on game.renren.com. Other IVAS revenues include revenues we earn from merchants who offer services and products on nuomi.com, paid applications on our Renren Open Platform program and VIP memberships.

In late 2008, due to regulatory changes to the operating environment of wireless value-added services, or WVAS, we decided to exit our WVAS business. We discontinued the majority of our WVAS business in 2009 and the remainder in 2010. We received in aggregate approximately US\$0.8 million in proceeds from the sale of our WVAS business to unrelated third parties in 2009. In addition, to further focus on our leading social networking internet platform in China, in December 2010 we sold all of our equity interests in Mop.com, an internet community website in China, and Gummy Inc., a social internet games provider in Japan, to Oak Pacific Holdings, a company owned by some of our shareholders. For more information, see "Related Party Transactions" Disposal of Mop.com and Gummy Inc. The aggregate consideration for the sale of Mop.com and Gummy Inc. was approximately US\$18.1 million, and was determined based on a valuation prepared with the assistance of an independent valuation firm. The financial results associated with our WVAS business and with Mop.com and Gummy Inc. have been presented as discontinued operations for all periods presented in this prospectus.

Our total net revenues increased from US\$13.8 million in 2008 to US\$46.7 million in 2009 and to US\$76.5 million in 2010, representing a CAGR of 135.7% from 2008 to 2010. We had net income from continuing operations of US\$51.9 million, a net loss from continuing operations of US\$68.3 million and a net loss from continuing operations of US\$61.2 million in 2008, 2009 and 2010, respectively. Our net income and net losses from our continuing operations reflect the aggregate impact of non-cash items relating to the change in fair value

Table of Contents

of our then outstanding series D warrants, share-based compensation, amortization of intangible assets and impairment of intangible assets of US\$71.2 million in income in 2008, US\$71.3 million in expenses in 2009 and US\$78.6 million in expenses in 2010. All outstanding warrants to purchase series D preferred shares were exercised in December 2010.

Our results of operations are affected by PRC laws, regulations and policies relating to the internet and the online advertising, online games and social commerce businesses. Due to PRC legal restrictions on foreign ownership and investment in value-added telecommunications services and advertising businesses in China, we operate our business primarily through Qianxiang Tiancheng, which is our consolidated affiliated entity in China, and its subsidiaries. We do not hold any equity interest in Qianxiang Tiancheng or its subsidiaries. However, through a series of contractual arrangements with Qianxiang Tiancheng and its shareholders, we effectively control, and are able to derive substantially all of the economic benefits from, Qianxiang Tiancheng and its subsidiaries and treat them as our consolidated affiliated entities under U.S. GAAP.

Selected Statements of Operations Items**Net Revenues**

We derive all of our revenues from online advertising and IVAS. Our IVAS revenues comprise online games revenues and other IVAS revenues. As is customary in the advertising industry in China, we offer rebates to third-party advertising agencies and recognize online advertising revenues net of these rebates. We recognize all of our revenues net of business taxes.

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

	2008		Years ended December 31, 2009		2010	
	US\$	(in thousands of US\$, except for percentages) %	US\$	(in thousands of US\$, except for percentages) %	US\$	(in thousands of US\$, except for percentages) %
Net revenues:						
Online advertising	\$ 6,776	49.2%	\$ 18,408	39.4%	\$ 32,003	41.8%
IVAS:						
Online games	6,272	45.5	23,565	50.5	34,413	45.0%
Other IVAS	734	5.3	4,711	10.1	10,119	13.2%
Subtotal	7,006	50.8	28,276	60.6	44,532	58.2%
Total	\$ 13,782	100.0%	\$ 46,684	100.0%	\$ 76,535	100.0%

Online Advertising. We offer a wide range of online advertising formats and solutions, including display advertising, social advertisements, promoted news feed items, fan/brand pages, in-game advertising, our recently launched self-service advertising solution targeted at small and medium-sized enterprises, branded virtual gifts and other formats such as sponsored online events. In 2008, 2009, and 2010, approximately 100.0%, 100.0% and 94.3%, respectively, of our online advertising revenues were derived from pay-for-time arrangements, whereby advertisers make their payment based on the period of time an advertisement is displayed in a specific format on a specific web page. In addition to pay-for-time arrangements, advertisers can pay for our advertising solutions based on the number of ad impressions delivered or the number of clicks on their advertisement. An ad impression is delivered when an advertisement appears on a page and the page is viewed by a user.

In the past three years, the most significant factor that has contributed to the increase in our online advertising revenues was the growth of our SNS platform and user base and therefore, the increased use of our platform by advertisers to reach our users. The number of our activated users increased from approximately 33 million as of December 31, 2008 to approximately 83 million as of December 31, 2009 and to approximately 110 million as of December 31, 2010. Our monthly unique log-in users increased from approximately 17 million in December 2008 to approximately 22 million in December 2009 and to approximately 26 million in December

Table of Contents

2010. During the same period, our advertisers' average annual spending increased from US\$49,000 in 2008 to US\$82,000 in 2009 and to US\$129,000 in 2010, and the number of our advertisers increased from 139 in 2008 to 224 in 2009 and to 248 in 2010.

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

We expect our online advertising revenues to continue to grow as we continue to grow our user base and attract more advertisers, provide new and innovative advertising solutions and increase the advertising spend of our advertisers. The most significant factors that directly or indirectly affect our online advertising revenues include the following:

the number of users of our social networking internet platform and the amount of time they spend on our platform;

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

the size of total online advertising budgets of advertisers;

our ability to retain existing advertisers and attract new advertisers;

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

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

IVAS. Our IVAS revenues are comprised of online games revenues and other IVAS revenues. The substantial majority of our IVAS revenues are derived from online games, and the substantial majority of our online games revenues are generated from users' purchases of in-game virtual items, such as accessories and pets, on game.renren.com, our online games center. Other IVAS revenues include revenues we earn from merchants who offer services and products on our nuomi.com social commerce website, paid applications on our Renren Open Platform program and VIP memberships. Revenues generated from online games or applications developed by third parties are subject to revenue-sharing agreements with the third-party developers.

We collect most of our online games revenues through third-party online payment systems. We also sell prepaid cards to distributors at a discount to the face value of the cards. For a detailed discussion of how revenues from IVAS are recognized in our financial statements, see *Critical Accounting Policies* *Revenue Recognition* *IVAS*.

As our IVAS business is comprised of several business models, including the sale of in-game virtual items, paid applications on our Renren Open Platform program and VIP memberships, and as each business model has its own revenue sources, quantitative price analysis for our IVAS business as a whole is not practical or meaningful. Consequently, we are generally not able to use conventional average sale price analysis in evaluating the financial performance of our IVAS businesses.

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

the number of users visiting our websites, including game.renren.com and nuomi.com, and the amount of IVAS they consume;

Table of Contents

our ability to continue to offer new self-developed and third-party revenue-generating online games and applications that are attractive to users;

costs relating to developing, licensing or acquiring, and marketing new online games and applications;

our ability to maintain and improve revenue-sharing arrangements with third-party online game and application developers;

our ability to attract more merchants to offer services and products on nuomi.com; and

competition in China's online games and social commerce markets.

Although user metrics such as total page views, time spent on our social networking websites, the number of users visiting game sites and amount of IVAS consumed are important measures for the quality of our user experience, they are not directly correlated to our revenue trends for historical periods and are not expected to be directly correlated for the foreseeable future. At this stage of our development, we believe that the main revenue drivers for our lines of business are those that have been set forth in our discussion of year-on-year results of operations.

Cost of Revenues

Cost of revenues consists primarily of bandwidth and co-location costs, games-related costs, salaries and benefits and direct advertisement costs. The following table sets forth our cost of revenues for continuing operations, both as absolute amounts and as percentages of our total net revenues, for the periods indicated. We expect that our cost of revenues will increase in amount as we further grow our user base and expand our revenue-generating services.

	2008		Years ended December 31, 2009		2010	
	US\$	(in thousands of US\$, except for percentages)	US\$	(in thousands of US\$, except for percentages)	US\$	(in thousands of US\$, except for percentages)
		%		%		%
Cost of revenues:						
Bandwidth and co-location costs	\$ 3,024	21.9%	\$ 6,191	13.3%	\$ 9,645	12.6%
Games-related costs	1,610	11.7	1,374	2.9	2,246	2.9
Salaries and benefits	593	4.3	773	1.7	1,352	1.8
Direct advertisement costs	73	0.5	968	2.1	1,571	2.1
Other expenses	367	2.7	1,073	2.3	1,810	2.4
Total cost of revenues	\$ 5,667	41.1%	\$ 10,379	22.3%	\$ 16,624	21.8%

Bandwidth and co-location costs. Bandwidth and co-location costs are the fees we pay to telecommunications carriers and other service providers for telecommunications services and for hosting our servers at their internet data centers. Bandwidth and co-location costs are a significant component of our cost of revenues. We expect our bandwidth and co-location costs to increase as traffic to our websites continues to grow.

Games-related costs. Games-related costs primarily consist of fixed and variable fees for licensing certain of our online games from third-party developers. Fixed licensing fees are amortized on a straight line basis over the shorter of the license period and the useful economic life of the licensed game. Variable licensing fees are calculated as a percentage of the revenues we generate from the licensed games and are recognized when the relevant revenues are recognized.

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

Edgar Filing: Renren Inc. - Form F-1/A

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

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

Table of Contents***Operating Expenses***

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

	2008		Years ended December 31, 2009		2010	
	US\$	%	(in thousands of US\$, except for percentages)		US\$	%
Operating Expenses:						
Selling and marketing	\$ 7,111	51.6%	\$ 19,375	41.5%	\$ 20,281	26.5%
Research and development	4,921	35.7	12,937	27.7	23,699	31.0
General and administrative	4,045	29.3	6,510	13.9	7,511	9.8
Impairment of intangible assets			211	0.5	739	1.0
 Total operating expenses	 \$ 16,077	 116.6%	 \$ 39,033	 83.6%	 \$ 52,230	 68.3%

Our selling and marketing expenses, research and development expenses and general and administrative expenses include share-based compensation charges. See [Critical Accounting Policies](#) [Share-Based Compensation Expenses](#) for more information.

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of salaries, benefits and commissions for our sales and marketing personnel and advertising and promotion expenses. Our selling and marketing expenses increased substantially from 2008 to 2009, primarily due to advertising campaigns on television and other media in connection with our re-branding of Xiaonei to Renren. The increase was also due to higher salaries, benefits and commissions for our sales and marketing personnel, primarily as a result of increased headcount, and online games promotions. We expect that our selling and marketing expenses will increase in the near term as we hire additional sales and marketing personnel, particularly for our Nuomi social commerce services.

Research and Development Expenses

Research and development expenses consist primarily of salaries and benefits for research and development personnel. Research and development expenses increased substantially from 2008 to 2010, mostly due to the hiring of more research and development personnel to support the rapid growth of our business. We expect our research and development expenses on an absolute basis to increase as we intend to hire additional research and development personnel to, among other things, develop new features and services for our SNS platform, develop new online games and applications and further improve our technology infrastructure.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and benefits for our general and administrative personnel and fees and expenses for third-party professional services. We expect our general and administrative expenses to increase in the future on an absolute basis as our business grows and we incur increased costs related to complying with our reporting obligations as a public company under U.S. securities laws.

Impairment of Intangible Assets

Impairment of intangible assets in 2009 consists primarily of an impairment of uume.com, a purchased domain name, as we decided to stop using this domain name after transferring all of the online games operated

Table of Contents

on uume.com to game.renren.com. In 2010, the impairment loss related to a write-off of a domain name that is no longer in use.

Change in Fair Value of Warrants

Change in fair value of warrants relate to the warrants we granted to SOFTBANK CORP. in April 2008 and amended in July 2009 in connection with our issuance and sale of series D preferred shares to SOFTBANK CORP. See Critical Accounting Policies Fair Value of Warrants. As all of the warrants held by SOFTBANK CORP. have been exercised in full in December 2010, these warrants will not affect our results of operations for future periods.

Exchange (Loss) Gain on Dual Currency Deposit

Exchange loss or gain on dual currency deposit consists primarily of exchange losses on dual currency deposits in U.S. dollars and Australian dollars in 2008, and exchange gains on dual currency deposits in U.S. dollars and Japanese yen in 2009 and 2010. We made dual currency deposits in addition to RMB deposits in the ordinary course of our business to enhance the yields on our cash balances.

Taxation

Cayman Islands

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

PRC

Prior to the effective date of the New EIT Law on January 1, 2008, enterprises in China were generally subject to an enterprise income tax at a statutory rate of 33% unless they qualified for certain preferential treatment. Effective as of January 1, 2008, the New EIT Law applies a uniform enterprise income tax rate of 25% to all domestic enterprises and foreign-invested enterprises and defines new tax incentives for qualifying entities. Enterprises established before March 16, 2007 that were entitled to the then available preferential tax treatment may continue to enjoy such treatment (i) in the case of preferential tax rates, for a maximum of a five-year period starting from January 1, 2008; during such period, the tax rate will gradually increase to 25%, or (ii) in the case of preferential tax exemption or reduction for a specified term, until the expiration of such term. In addition, dividends, interests, rent or royalties paid by a PRC entity to foreign non-resident enterprise investors, and proceeds from the disposition of assets by such foreign enterprise investor, will generally be subject to a 10% withholding tax.

On March 31, 2009, Qianxiang Wangjing, one of our consolidated affiliate entities, was qualified as a Software Enterprise by the Beijing Science and Technology Commission. According to such qualification, Qianxiang Wangjing is eligible for certain preferential tax treatments, including a two-year exemption and three-year 50% reduction on its annual enterprise income tax starting from the first year when it generated profits, which was 2009. This preferential tax treatment benefited us by reducing our income tax charge in 2010 by US\$11.3 million when Qianxiang Wangjing was exempted from enterprise income tax. From tax years 2011 to 2013, Qianxiang Wangjing will pay income tax at 12.5% (i.e. 50% of the standard rate). Thereafter Qianxiang Wangjing will pay income tax at the standard rate of 25%. Consequently, our effective tax rate is expected to increase in future years.

Under the New EIT Law, an enterprise established outside of the PRC with de facto management bodies located within the PRC is considered a PRC resident enterprise and therefore will be subject to a 25% PRC

Table of Contents

enterprise income tax on its global income. The implementation rules define de facto management bodies as establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise. In addition, SAT Circular 82 treats a Chinese-controlled enterprise established outside of China as a PRC resident enterprise with de facto management bodies located in the PRC for tax purposes where all of the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily production or business operations are located in the PRC; (ii) its financial and human resource decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders meetings are located or kept in the PRC; and (iv) more than half of the enterprise's board members with voting rights or senior management habitually reside in the PRC. Despite the uncertainties resulting from limited PRC tax guidance on the issue, we do not believe that our legal entities organized outside of the PRC constitute PRC resident enterprises under the New EIT Law. If considered a PRC resident enterprise for tax purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our global income for the period after January 1, 2008. Given that Circular 82 was issued regarding overseas enterprises controlled by PRC enterprises (not those controlled by PRC individuals), it is not strictly applicable to us. As of December 31, 2010, we had not accrued reserves for PRC tax on such basis.

For more information on PRC tax regulations, see Regulation Regulations on Tax.

Internal Control Over Financial Reporting

Prior to this offering, we have been a private company with limited accounting personnel and other resources for addressing our internal control over financial reporting. In connection with the preparation and audit of our consolidated financial statements included in this prospectus, we and our independent registered public accounting firm identified one material weakness and one significant deficiency, each as defined in the U.S. Public Company Accounting Oversight Board Standard AU325, in our internal control over financial reporting as of December 31, 2010. As defined in AU325, a material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis, and a significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting.

The material weakness identified related to insufficient accounting personnel with appropriate U.S. GAAP knowledge. Since the beginning of 2011, we have started to take a number of steps to improve our internal control over financial reporting and to address the material weakness, including:

we plan to implement regular and continuous U.S. GAAP accounting and financial reporting training programs for our existing accounting and reporting personnel, including both junior and senior personnel;

we have commenced efforts to recruit additional qualified accounting personnel, with relevant experience in U.S. GAAP accounting and reporting and auditing, to be responsible for SEC and U.S. GAAP reporting; and

we plan to subscribe to a U.S. GAAP accounting and reporting services tool from an external service provider.

We intend to remediate the material weakness and significant deficiency before December 31, 2012, but we can give no assurance that we will be able to do so. Under Section 404 of the Sarbanes-Oxley Act of 2002, we are required to include a management's report on internal control over financial reporting in our annual report on Form 20-F for the year ending December 31, 2012.

Table of Contents

Designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to devote significant resources to maintain a financial reporting system that adequately satisfies our reporting obligations. The remedial measures that we intend to take may not fully address the material weakness, significant deficiency and other control deficiencies that we and our independent registered public accounting firm have identified, and material weaknesses in our internal control over financial reporting may be identified in the future. See **Risk Factors** **Risks Relating to Our Business**. In the course of preparing our consolidated financial statements, one material weakness and one significant deficiency in our internal control over financial reporting were identified. If we fail to maintain an effective system of internal control over financial reporting, our ability to accurately and timely report our financial results or prevent fraud may be adversely affected, and investor confidence and the market price of our ADSs may be adversely impacted.

Critical Accounting Policies

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

Revenue Recognition

Historically, we have generated revenues primarily through online advertising and IVAS, which includes, among others, online games. We started generating revenues from social commerce services in June 2010 when we launched nuomi.com. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured.

Online advertising

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

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

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

Table of Contents

IVAS

Online games

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

We recognize revenues as the in-game virtual merchandise or premium features are first used by the end users, as we believe that our in-game merchandise or premium features have short estimated useful lives over which they are used by end users, and that more than 90% of our game players use the feature within seven days of the first usage. Consequently, we believe that recognizing revenue on first usage is substantially the same as recognizing over the estimated useful life. We have considered the average period that end users typically play our games and other end user behavior patterns to arrive at this best estimate for the lives of these in-game merchandise or premium features. However, given the relatively short operating history of our online games, our estimate of the period that end users typically play our games may not accurately depict such period and hence the lives of the in-game merchandise or premium features. We will adopt a policy of assessing the estimated lives of in-game merchandise or premium features periodically. While we believe our estimates to be reasonable in view of actual player information available, we may revise such estimates in the future as we have longer game operation periods to reference and we continue to gain more operating data. Any adjustments arising from changes in the estimates of in-game items would be applied prospectively on the basis that such changes are caused by new information indicating a change in the end user behaviors pattern. Any changes in our estimate of lives of the in-game items may result in our revenues being recognized on a different basis than in prior periods and may cause our operating results to fluctuate.

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

Table of Contents

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

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

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

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

We have also entered into revenue sharing agreements with certain third-party game developers. Under these agreements, we promote and provide links to the online games on our website and the third-party developers operate the games, which includes providing game software, hardware, technical support and customer services. We are entitled to a pre-agreed share of the payments received, which varies based on negotiation with the third-party game developer. We recognize these revenues on a net basis because we believe the third-party game developers are the primary obligors of the arrangement since they operate the games and take primary responsibility to end users. The game end users make online payments to us or purchase our prepaid cards. The payments received by us are initially recognized as deferred revenues because at that time we do not know what specific games end users will purchase. The deferred revenues are transferred to accounts payable to the third-party game developers and recognized as revenues at the agreed revenue sharing percentage when end users deposit our virtual currency into the end users' accounts in the specific games.

Renren Open Platform Program

Our social networking internet platform also allows our users to access for-purchase applications developed by third parties. Pursuant to revenue-sharing agreements entered between us and the third-party application developers, we are generally entitled to a 52% share of the revenues generated from our users accessing such for-purchase applications developed by third parties. The revenues are recognized on a net basis when the third-party applications are sold through our platform and our users make online payment to us, which normally occurs concurrently.

Social Commerce

Beginning in June 2010, we have provided social commerce services through nuomi.com. Third-party merchants agree to provide Nuomi users discounted prices when enough Nuomi users sign up for a deal consisting of particular products, services or events provided by the merchants. We recognize revenue for the

Table of Contents

difference of the amounts we collect from Nuomi users and the amount we pay to the third-party merchants, which normally includes two components. The first component is the pre-agreed per user commission for which the revenues are recognized when all following criteria are met: (i) the number of participating users reaches the minimum requirement of the merchants; (ii) the participating users have made their payments to us; and (iii) we have released the electronic coupons for the agreed discounted prices to the participating users. Historically, all three criteria were generally met within one day. The second component of our revenues is the payments from participating users who ultimately do not consume the released electronic coupons, since we pay merchants the amounts only for those coupons used but do not refund such amounts to our users. The payments received for unused coupons are initially recognized as accounts payables and, until March 2011, had been recognized as revenues when the term of the released coupon expires.

In March 2011, we revised some of the terms for the coupons released for our social commerce services business through our Nuomi website:

Participating users are now entitled to a full cash refund within seven days of purchasing a coupon or they may deposit the payments made to us as credits for future transactions without a time limit.

If the released electronic coupons expire without consumption, the participating user may now use the amounts as credits against future transactions without a time limit. This term applies retroactively to all expired coupons from the commencement of our social commerce service business in June 2010.

We offer to refund the participating users if the quality of the products or services provided by the third-party merchants does not meet the descriptions of the products or services provided by the third-party merchants on our Nuomi website.

As a result of the above described changes, for deals with the revised terms, we henceforth recognize the pre-agreed per user commission revenue upon the consumption of the released coupon. We continue to believe we are an agent and recognize revenues on a net basis.

We no longer recognize the revenues for unused coupons upon their expiration. As we are not yet able to estimate how many users will ultimately neither use the coupon nor the credits received upon expiry of the initial unused coupon for a future purchase, we will carry all such amounts as a liability until the released coupon is ultimately used.

In addition, we have recognized a US\$0.5 million liability as of March 15, 2011, for the cumulative effect of the credits extended to the unused coupons expired before that date as a result of the retroactive effect of the changed term regarding expired unused coupons. We have charged this to the income statement as a marketing expense.

We have not recognized any liability in connection with our commitment to refund the participating users if the quality of the products or services provided by third-party merchants does not meet the descriptions of the products or services offered on our Nuomi website. The third party merchants are responsible and liable for the quality of the products or services provided. We hold the right to claim reimbursements from the third party merchants or deduct from the amounts payable to them.

Goodwill and Intangible Assets

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

There are several methods that can be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, we typically use the income method. This method starts with a forecast of all of the expected future net cash flows associated with a particular intangible asset. These cash flows are then

Table of Contents

adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows, and the assessment of the asset's economic life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory or economic barriers to entry. Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives.

Goodwill is tested for impairment at least once annually. Impairment is tested using a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. We recognized an impairment charge of US\$21,000 to fully write down the goodwill in WVAS reporting in the year 2008 as we significantly adjusted downward the profit forecast and expected future net revenues from the WVAS to be lower than we previously forecasted as a result of various new policies introduced by mobile operators in the second half of 2007, which materially adversely impacted the operating environment for our business.

The following table sets forth the estimated fair values, carrying values of and goodwill allocated to our online advertising reporting units, which carried all our goodwill as of December 31, 2010:

Reporting Unit	Online Advertising (in thousands of US\$ except for percentages)
Estimated fair value	373,647
Carrying value	39,628
Percentage by which fair value exceeds carrying value	843%
Amount of goodwill allocated to the reporting unit	4,420

Intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment at least annually if events or changes in circumstances indicate that the asset might be impaired. Such impairment test consists of the fair values of assets with their carrying value amounts and an impairment loss is recognized if and when the carrying amounts exceed the fair values. The estimates of fair values of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. Significant assumptions are inherent in this process, including estimates of discount rates. Discount rate assumptions are based on an assessment of the risk inherent in the respective intangible assets. During the year ended December 31, 2009, we recorded an impairment loss of US\$0.2 million for a domain name with an indefinite life, since we decided to stop using the domain name uume.com after transferring all the online games operated on www.uume.com to one of our other operating platforms.

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

We evaluate intangible assets with determinable useful life for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment to

Table of Contents

be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. We did not recognize impairment for intangible assets for the periods presented in this prospectus.

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

Fair Value of Ordinary Shares

We are a private company with no quoted market prices for our ordinary shares. We have therefore needed to make estimates of the fair value of our ordinary shares at various dates for the purpose of: (i) determining the fair value of our ordinary shares at the date of the grant of a share-based compensation award to our employees as one of the inputs in determining the grant date fair value of the award; (ii) determining the fair value of our ordinary shares at the date of issuance of our convertible instruments in the determination of any beneficial conversion feature; and (iii) determining the fair value of our series D warrants as of the issuance date and re-measurement dates.

The fair value of the ordinary shares, convertible instruments and options granted to our employees were estimated by us, with assistance from Marsh Financial Advisory Services Limited, or Marsh, an independent third-party appraiser. We are ultimately responsible for the determination of all amounts related to share-based compensation and the convertible instruments recorded in the financial statements.

The following table sets forth the fair value of our ordinary shares estimated at different dates in 2008, 2009, 2010 and 2011:

Date	Class of shares	Fair Value	Purpose of valuation	Type of valuation
January 31, 2008	Ordinary shares	US\$0.15	Share option grant	Retrospective
April 5, 2008	Ordinary shares	US\$0.17	Issuance of series D warrant	Retrospective
December 31, 2008	Ordinary shares	US\$0.09	Re-measurement of series D warrant	Retrospective
July 2, 2009	Ordinary shares	US\$0.11	Re-measurement of series D warrant	Contemporaneous
October 15, 2009	Ordinary shares	US\$0.22	Share option grant	Retrospective
December 31, 2009	Ordinary shares	US\$0.24	Re-measurement of series D warrant	Contemporaneous
March 10, 2010	Ordinary shares	US\$0.30	Share option grant	Retrospective
March 31, 2010	Ordinary shares	US\$0.30	Share option grant and re-measurement of series D warrant	Retrospective
June 1, 2010	Ordinary shares	US\$0.60	Share option grant	Retrospective
June 30, 2010	Ordinary shares	US\$0.60	Re-measurement of series D warrant	Retrospective
September 30, 2010	Ordinary shares	US\$0.72	Re-measurement of series D warrant	Contemporaneous
October 21, 2010	Ordinary shares	US\$0.72	Share option grant	Contemporaneous
December 27, 2010	Ordinary shares	US\$1.12	Re-measurement of series D warrant	Contemporaneous
January 4, 2011	Ordinary shares	US\$1.12	Share option grant	Contemporaneous
April 18, 2011	Ordinary shares	US\$3.33	Share option grant	*

* Fair value determined by us based on the midpoint of the estimated initial public offering price range shown on the front cover page of our preliminary prospectus dated April 18, 2011.

Table of Contents

In determining the fair value of our ordinary shares, we have considered the guideline prescribed by the AICPA Audit and Accounting Practice Aid, Valuation of Privately-Held Company Equity Securities Issued and Compensation, or the Practice Aid. Specifically, paragraph 16 of the Practice Aid sets forth the preferred types of valuation that should be used.

Marsh used the discounted cash flow, or DCF, method of the income approach to derive the fair value of our ordinary shares in 2008, 2009 and 2010. We considered the market approach and searched for public companies located in China with business nature and in a development stage similar to ours. However, no companies were similar to us in all aspects, and we therefore only used the results obtained from the market approach to assess the reasonableness of the results obtained from the income approach. The determination of the fair value of our ordinary shares required complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

The major assumptions used in calculating the fair value of ordinary shares include:

Weighted average cost of capital, or WACC: The WACCs were determined based on a consideration of such factors as risk-free rate, comparative industry risk, equity risk premium, company size and company-specific factors. The changes in WACC from 23% as of January 31, 2008 to 17% as of December 31, 2010 was primarily due to our business growth and additional funding from series D preferred shares for accelerating development.

In deriving the WACCs, which are used as the discount rates under the income approach, certain publicly traded companies in the internet social networking and online game industries were selected for reference as our guideline companies. To reflect the operating environment in China and the general sentiment in the U.S. capital markets towards the internet social networking and online game industries, the guideline companies were selected with consideration of the following factors: (i) the guideline companies should provide similar services; and (ii) the guideline companies should either have their principal operations in China, as we operate in China, and/or are publicly listed companies in the United States, as we plan to become a public company in the United States.

Discount for lack of marketability, or DLOM: When determining the DLOM, the option-pricing method (put option) and data from Mergerstat Review were applied to quantify the DLOM where applicable. Although it is reasonable to expect that the completion of this offering will add value to our shares because we will have increased liquidity and marketability as a result of this offering, the amount of additional value can be measured with neither precision nor certainty. The DLOMs were estimated to be 20% as of each valuation date before December 31, 2009 and decreased to 10% as of December 31, 2010. The lower DLOM is used for the valuation, the higher is the determined fair value of the ordinary shares.

The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts developed by us. Our revenue and earnings growth rates contributed significantly to the increase in the fair value of our ordinary shares from 2008 to 2010. The assumptions used in deriving the fair values were consistent with our business plan. However, these assumptions were inherently uncertain and highly subjective. These assumptions include: no material changes in the existing political, legal and economic conditions in China; no major changes in the tax rates applicable to our subsidiaries and consolidated affiliated entities in China; our ability to retain competent management, key personnel and staff to support our ongoing operations; and no material deviation in market conditions from economic forecasts. The risk associated with achieving our forecasts were assessed in selecting the appropriate discount rates, which ranged from 23% to 17%.

We used the option-pricing method to allocate equity value of our company to preferred and ordinary shares, taking into account the guidance prescribed by the Practice Aid. This method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of our company or an initial public offering.

Table of Contents

and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board and management. Estimating the volatility of the share price of a privately held company is complex because there is no readily available market for the shares. We estimated the volatility of our shares based on historical volatility of comparable companies' shares. Had we used different estimates of volatility, the allocations between preferred and ordinary shares would have been different.

The fair value of our ordinary shares decreased from US\$0.15 per share as of January 31, 2008 to US\$0.09 per share as of December 31, 2008 primarily due to the global financial crisis in the second half of 2008, which caused us to revise downward our projected future financial performance.

The fair value of our ordinary shares increased from US\$0.09 per share as of December 31, 2008 to US\$0.24 per share as of December 31, 2009, primarily due to the following:

the negative effect of the global financial crisis on our business was much less than originally expected;

the overall economic growth in our principal geographic markets, which led to increased market demand for our services;

we experienced annual growth of 238.7% in net revenues from US\$13.8 million in 2008 to US\$46.7 million in 2009;

as our business grew and our size increased, we were in a better position to withstand unexpected economic changes. Accordingly, the discount rate used for the valuation of our company's shares decreased from 21% for the December 31, 2008 valuation to 19% for the December 31, 2009 valuation.

The fair value of our ordinary shares increased from US\$0.24 per share as of December 31, 2009 to US\$0.30 per share as of March 31, 2010, primarily due to the following reasons:

during the three months ended March 31, 2010, we acquired 11 new advertising clients and launched four third-party games and two internally developed games. As a result, the probability that we can achieve our financial forecast increased. Accordingly, the discount rate used in the valuation of our ordinary shares decreased from 19% for the December 31, 2009 valuation to 17.5% for the March 31, 2010 valuation; and

due to increased marketability of our ordinary shares as we were closer in time to our initial public offering, DLOM decreased from 20% for the December 31, 2009 valuation to 18% for the March 31, 2010 valuation.

The fair value of our ordinary shares increased from US\$0.30 per share as of March 31, 2010 to US\$0.60 per share as of June 30, 2010, primarily due to the following reasons:

because of the following events and factors, we revised upward our forecasted revenues for future years and we extended the end of our high-growth projection period from 2015 to 2017, before computing the terminal value of our business at a steady state:

we acquired 25 new advertising clients, launched six third-party games and our quarterly revenues grew 41.5% from the three months ended March 31, 2010, all of which evidenced our ability to continuously grow our business and enhanced our confidence in our long-term growth;

Edgar Filing: Renren Inc. - Form F-1/A

we hired our chief financial officer, a director of strategic development, a project management director of our game development department, a director of our network sales department and other senior management. These senior and experienced personnel improved (i) our operating efficiency, cost control measures and financial forecasting procedures; (ii) the visibility of our business development; and (iii) our understanding of user experience, which strengthened our ability to attract more users; and

Table of Contents

we significantly increased our lead over our closest competitor as the top real name social networking internet platform in China, from 48% more monthly unique visitors than our closest competitor in March 2010 to 105% more monthly unique visitors than our closest competitor in June 2010, based on relevant data publicly issued by iResearch; and

due to the increased marketability of our ordinary shares as we were closer in time to our initial public offering, DLOM decreased from 18% for the March 31, 2010 valuation to 15% for the June 30, 2010 valuation.

The fair value of our ordinary shares increased from US\$0.60 per share as of June 30, 2010 to US\$0.72 per share as of September 30, 2010, primarily due to the following reasons:

we acquired 18 new advertising clients and launched 11 third-party games, which evidenced our ability to continuously grow our business and meet our financial forecasts;

we received US\$84 million from the exercise of tranche 3 series D warrants by their holder, which demonstrated the confidence of a major shareholder in our business and also provided additional funding to accelerate our business growth;

due to the growth of our business, the increased viability of our business strategy and the improved results of our operations for the nine months ended September 30, 2010, we revised downward the discount rate used for the valuation of our ordinary shares from 17.5% for the June 30, 2010 valuation to 17.0% for the September 30, 2010 valuation; and

due to the increased marketability of our ordinary shares as we were closer in time to our initial public offering, DLOM decreased from 15% for the June 30, 2010 valuation to 12% for the September 30, 2010 valuation.

We repurchased from certain non-employee shareholders around September 30, 2010:

47,142,860 ordinary shares at a price of \$0.725 per share in August 2010; and

6,416,670 ordinary shares at a price of \$0.725 per share in October 2010.

The fair value of our ordinary shares increased from US\$0.72 per share as of September 30, 2010 to US\$1.12 per share as of December 31, 2010, primarily due to the following reasons:

because of the following events and factors, we revised upward our forecasted growth in revenues and net income from 2010 through 2017:

we launched 13 third-party games, which exceeded our projections and increased our confidence in achieving faster revenue growth;

our social commerce business, nuomi.com, substantially outperformed our forecasts. According to E-Commerce Research Center of China, after only a few months of operation, nuomi.com was one of the top three social commerce businesses in China, with a market share of 17.3%;

Edgar Filing: Renren Inc. - Form F-1/A

we introduced a number of new business initiatives to accelerate the growth of our business, including chewen.com, an LBS service and Renren Music; and

the number of our unique mobile log-in users reached 30% of our total unique log-in users, which increased our confidence in the ability of our business to benefit from the growth of the mobile internet industry in China;

we expected to receive US\$198 million due to the exercise of tranche 4 series D warrants by their holder near the end of December 2010, which demonstrated the confidence of a major shareholder in our business and also provided additional funding to accelerate our business growth; and

Table of Contents

we formally kicked off the initial public offering process in November 2010. Due to the resulting increased likelihood of marketability of our ordinary shares, DLOM decreased from 12% for the September 30, 2010 valuation to 10% for the December 31, 2010 valuation.

We have prepared the table below to demonstrate the estimated impact of the changes in the key assumptions and inputs on the change in fair value of our ordinary shares at each valuation date compared with the prior valuation for each valuation date since March 31, 2010. The table is based on the assumptions listed in the notes to the table because the key assumptions are naturally interrelated in the determination of fair value.

Valuation Date	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
Whether financial projections were revised from last valuation	No	Yes	No	Yes
Marketability discount	18%	15%	12%	10%
Discount rate (WACC)	17.5%	17.5%	17.0%	17.0%
Fair value per share in prior valuation date	\$ 0.24	\$ 0.30	\$ 0.60	\$ 0.72
(a) Increase in fair value due to time difference and / or revised financial projections ⁽¹⁾	\$ 0.02	\$ 0.27	\$ 0.00	\$ 0.23
(b) Increase in fair value due to a decrease in Marketability Discount (DLOM) ⁽²⁾	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.02
(c) Increase in fair value due to a decrease of WACC ⁽³⁾	\$ 0.03	\$ 0.00	\$ 0.03	\$ 0.00
(d) Change in fair value due to other factors such as exchange rate ⁽⁴⁾	\$ 0.00	\$ 0.01	\$ 0.07 ⁽⁵⁾	\$ 0.15 ⁽⁵⁾
Total increase in fair value (= a + b + c + d)	\$ 0.06	\$ 0.30	\$ 0.12	\$ 0.40
Fair value per share	\$ 0.30	\$ 0.60	\$ 0.72	\$ 1.12

- (1) To quantify the effect of this factor used in the fair value determination model, we assume all other factors were kept unchanged from those used in the prior valuation.
- (2) To quantify the effect of this factor used in the fair value determination model, we assume all other factors were kept unchanged from the amounts used in the prior valuation, except the time difference and/or the financial projection factors, which we assume were changed to the amount used in the current valuation.
- (3) To quantify the effect of this factor used in the fair value determination model, we assume all other factors were kept unchanged from the amounts used in the prior valuation, except the time difference and/or the financial projection and the DLOM factors, which we assume were changed to the amount used in the current valuation.
- (4) To quantify the effect of this factor used in the fair value determination model, we assume all other factors, i.e. the time difference and/or the financial projections, the DLOM and the WACC, were changed to the amount used in the current valuation.
- (5) In the third and fourth quarters of 2010, there were cash injections from investors exercising warrants, which increased our fair value as a non-operating asset applied in the valuation model.

As noted above, these valuations were performed using the income approach but we also used a market approach to assess the reasonableness of the valuations which confirmed each of the above valuations as being reasonable.

In determining the WACC at the above dates, we used a company-specific risk premium (CSR premium) of 5%, which is relatively higher than the CSR premium for companies with stable business and low financial risk, to reflect the fact that we are fast growing and are expanding rapidly. We have also included in our forecasted future revenue the contribution of some new business. Furthermore, the expansion of our social commerce business is still unproven and the online games industry may not grow at the same rate as in the past. Additionally, as of December 31, 2010, we were uncertain about our ability to achieve an initial public offering and receive the additional funding. Moreover, our ability to achieve the financial projections could have been adversely affected if we were not able to manage the expansion effectively. These risks led us to believe, with the assistance of Marsh, that a 5% company-specific risk premium was appropriate.

In determining the fair value of our ordinary shares as of various dates before this offering, we have considered the guidance prescribed by the Practice Aid. A detailed description of the valuation method used and the factors contributing to the changes in the fair value of our ordinary shares through December 31, 2010 is set out above.

Table of Contents

We did not undertake a valuation of the fair value of our ordinary shares subsequent to December 31, 2010 using the DCF method of the income approach, which was the methodology used in the December 31, 2010 and prior valuations.

Nevertheless, we have prepared the table below to demonstrate, assuming a valuation using the income approach was done on April 18, 2011, the estimated impact of the changes in the key assumptions, which would have contributed to the implied increase in fair value of our ordinary shares from US\$1.12 per ordinary share as of December 31, 2010 to US\$3.33 per ordinary share, the midpoint of the estimated offering price range shown on the front cover page of our preliminary prospectus dated April 18, 2011. The table is for illustration purposes only and is based on the assumptions listed in the notes to the table. These key assumptions are naturally interrelated in the determination of the fair value of our ordinary shares.

Valuation Date	April 18, 2011
Revised up financial projections	Yes
Discount rate (WACC) ⁽¹⁾	11.5%
Marketability discount ⁽²⁾	0%
Fair value of the ordinary share as of December 31, 2010	\$ 1.12
(a) Increase in fair value due to time difference and revised financial projections ⁽³⁾	\$ 0.18
(b) Increase in fair value due to a decrease in Marketability Discount (DLOM) ⁽⁴⁾	\$ 0.12
(c) Increase in fair value due to a decrease of WACC ⁽⁵⁾	\$ 1.73
(d) Change in fair value due to other factors, such as exchange rate ⁽⁶⁾	\$ 0.17
Total increase in fair value (= a + b + c + d)	\$ 2.21
The midpoint of the estimated price range	\$ 3.33

- (1) Had we performed a valuation of our ordinary shares now using the same methodology as in the December 31, 2010 valuation, the discount rate would have decreased from 17% as of December 31, 2010 to approximately 12% because of the following factors:
the successful expansion and growth in size of our business, and specifically, in deriving the WACC, the size premium of 1.85% for a low-cap company would be reduced to 1.08% for a mid-cap company;
the increased financial resources available to us as a consequence of the imminent initial public offering would reduce the risk of our failure to achieve our forecasts for rapid expansion, and accordingly the company-specific risk premium of 5% that was considered in deriving WACC as at December 31, 2010 would be reduced to approximately 1%; and
recent market transactions demonstrate that the market is favorable towards internet companies with businesses or attributes similar to ours, and the WACC implied in such transactions is lower than the 17% we used as of December 31, 2010.
- (2) Another reason for the implied increase in the fair value of our ordinary shares is that the estimated price for this offering includes no discount for lack of marketability, as compared to the 10% discount for lack of marketability used in the December 31, 2010 valuation.
- (3) To quantify the effect of this factor, we assume all other factors were kept unchanged from those used in the December 31, 2010 valuation.
- (4) To quantify the effect of this factor, we assume all other factors were kept unchanged from the amounts used in the December 31, 2010 valuation, except the factor of the time difference and/or the financial projections, which we assume was changed to the amount used on April 18, 2011.
- (5) To quantify the effect of this factor, we assume all other factors were kept unchanged from the amounts used in the December 31, 2010 valuation, except the factors of the time difference and/or the financial projections and the DLOM, which we assume were changed to the amount used on April 18, 2011.
- (6) To quantify the effect of this factor, we assume all other factors, i.e. the time difference and/or the financial projections, the DLOM and the WACC were changed to the amount used on April 18, 2011.

Table of Contents

The successful further expansion of our business in 2011 is illustrated by the following factors:

the number of monthly unique log-in users on our platform increased by 20.7% from December 2010 to March 2011;

we acquired 27 new advertisers and launched eight new third-party games since the beginning of 2011;

we accelerated the development of our self-service advertising business for small and medium-sized enterprises in China; and

as of April 14, 2011, we had expanded our social commerce business to 32 cities in China, as compared to 11 cities as of December 31, 2010. We believe this significant expansion demonstrates our ability to execute our social commerce services business plans.

Paragraph 113 of the Practice Aid states that the ultimate IPO price itself ... is generally not likely to be a reasonable estimate of the fair value for pre-IPO equity transactions of the enterprise. The value of a private enterprise during the period culminating in its successful IPO may increase significantly. [I]ncreases in enterprise value ... may be attributed partly to (a) changes in the amount and relative timing of future net cash flows (estimated and actual) as the enterprise successfully executes its business plan and responds to risks and opportunities in the market, and (b) a reduction in the risk associated with achieving projected results (or, from another perspective, narrowing the range of possible future results and increasing the likelihood of achieving desired results). In addition ... the marketability provided by the IPO event itself increases enterprise value, because, among other things, it allows the enterprise access to the public capital markets. Moreover, macroeconomic factors ... also may affect the extent to which an enterprise's value changes during the period culminating in its successful IPO. In accordance with paragraph 113 of the Practice Aid, we believe the ultimate initial public offering price itself is not likely to be a reasonable estimate of the fair value of our ordinary shares as of various dates before this offering.

Indeed, we raised our estimated offering price range from \$9.00 per ADS to \$11.00 per ADS (each ADS represents three of our ordinary shares) as shown on the front cover page of our preliminary prospectus dated April 18, 2011 to \$12.00 per ADS to \$14.00 per ADS as shown on the front cover page of our preliminary prospectus dated April 29, 2011. Such increase was a result of a stronger market demand for our ADSs than what we expected on April 18, 2011. Our public offering book-building process from April 18 to April 29, 2011 discovered a solid demand for our ADSs from institutional investors around the world, including in the U.S., Europe and Asia.

Share-based Compensation

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

Table of Contents

The following table sets forth certain information regarding the share options granted to our employees and advisors at different dates in 2008, 2009, 2010 and 2011:

Grant Date/ Modification Date	No. of Ordinary Shares Underlying Options Granted	Exercise Price Per Share (US\$)	Fair Value per Share at the Grant Date (US\$)	Intrinsic Value per Option at the Grant Date (US\$)	Type of Valuation
January 31, 2008	60,312,000	0.18	0.15		Retrospective
October 15, 2009	39,064,000	0.18	0.22	0.04	Retrospective
March 10, 2010	300,000	0.18	0.30	0.12	Retrospective
March 31, 2010	3,000,000	0.18	0.30	0.12	Retrospective
June 1, 2010	490,000	0.18	0.60	0.42	Retrospective
October 21, 2010	179,450	0.10	0.72	0.62	Contemporaneous
October 21, 2010	11,180	0.18	0.72	0.54	Contemporaneous
January 4, 2011	12,608,500	1.20	1.12		Contemporaneous
April 18, 2011	3,346,500	3.33	3.33		Contemporaneous

In determining the value of share options, we have used the Black-Scholes option pricing model, with assistance from Marsh. Under this option pricing model, certain assumptions, including the risk-free interest rate, the expected term of the options, the expected dividends on the underlying ordinary shares, and the expected volatility of the price of the underlying shares for the expected term of the options are required in order to determine the fair value of our options. Changes in these assumptions could significantly affect the fair value of share options and hence the amount of compensation expense we recognize in our consolidated financial statements.

The key assumptions used in valuation of the options are summarized in the following table:

	Grants on January 31, 2008		Grants on October 15, 2009		Grants on March 10, 2010		Grants on March 31, 2010		Grants on June 1, 2010		Grants on October 21, 2010		Grants on January 4, 2011		Grants on April 18, 2011	
	Batch I	Batch II	Batch I	Batch II	Batch I	Batch II	Batch I	Batch II	Batch I	Batch II	Batch I	Batch II	Batch I	Batch II	Batch I	Batch II
Risk-free rate of return	4.16%	4.07%	3.16%	2.47%	3.49%	2.53%	1.46%	0.96%	0.96%	3.22%	2.55%	4.14%	3.25%			
Expected remaining contractual life	6.08	5.79	6.08	3.93	7.27	3.52	0.75	0.36	0.36	8.55	6.01	8.15	5.92			
Volatility	60.1%	59.6%	63.6%	58.1%	61.0%	59.0%	42.0%	42.0%	42.0%	61%	54.5%	57.6%	54.5%			
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

- (1) The risk-free rate of return is based on the yield curve of U.S. dollar China Sovereign Bonds as of the valuation dates extracted from Bloomberg.
- (2) For the options granted to employees, as we did not have sufficient historical share option exercise experience, we estimated the expected term as the average between the vesting term of the options and the original contractual term. For the options granted to non-employees, we estimated the expected term as the original contractual term. For the options granted to employees in March 2010 and Batch I of June 2010, we estimated the expected term based on Binomial Option Pricing Model. For the options granted to employees in Batch II of June 2010 and October 2010, the options are deep in-the-money and immediately vested as of the grant date. Therefore, we expected that the option holders will exercise the options when our company becomes public and the expected term of the options used in our valuation is the period between the grant date and the expected IPO date.
- (3) The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of listed comparable companies over a period comparable to the expected term of the options.
- (4) We estimate the dividend yield based on our expected dividend policy over the expected term of the options.

In undertaking the retrospective valuations, we only used information that would have been available to us as of the valuation date. For example, in determining the expected remaining contractual life for the grants on June 1 and October 21, 2010 of the Batch II awards, we used information regarding our initial public offering plans and target timelines only as of those dates.

Fair Value of Warrants

Edgar Filing: Renren Inc. - Form F-1/A

In connection with the issuance of our series D preferred shares, we granted the series D shareholder warrants to purchase additional series D preferred shares. The warrants were determined as free standing financial instruments required to be measured at fair value since the underlying instruments, the series D

Table of Contents

preferred shares, are redeemable instruments and therefore the warrant held by the holder is required to be classified as a liability and was initially recognized at the fair value. However, the entire instrument comprises both a right for the warrant holder to exercise and a right for us to require the warrant holder to exercise. Therefore, under certain circumstances, the warrants were carried by us as an asset. We determined the fair value of the series D warrants with the assistance of Marsh.

The following table sets forth certain information regarding the series D warrants on the dates indicated:

Date of Valuation	No. of Warrants	Fair Value Per Warrant	Fair Value of Warrants	Type of Valuation
April 5, 2008	302,152,880	US\$ (0.03)	US\$(9,165)	Retrospective
December 31, 2008	302,152,880	US\$ 0.21	US\$ 63,710	Retrospective
December 31, 2009	226,614,660	US\$ (0.09)	US\$ (21,481)	Contemporaneous
December 31, 2010	151,076,440	US\$ (0.54)	US\$ (81,413)	Contemporaneous

(1) A positive value in this table indicates an asset to us and a negative value indicates a liability to us.

In determining the value of warrants granted to preferred shares investors, we have used the Black-Scholes option pricing model with the assistance of Marsh. Under this option pricing model, certain assumptions, including the risk-free interest rate, the expected term of the warrants, the expected dividends on the underlying preferred shares, and the expected volatility of the price of the underlying shares for the expected term of the warrants are required in order to determine the fair value of our warrants. Changes in these assumptions could significantly affect the fair value of share options and hence the amount of compensation expense we recognize in our consolidated financial statements.

The key assumptions used in valuation of the warrants are summarized in the following table:

2009 Series D Warrants	As of April 5, 2008	As of December 31, 2008
Risk-free rate of return	3.59%	2.47%
Expected remaining contractual life of the warrants	2.00	1.26
Volatility	49.40%	78.30%
Expected dividend yield	0%	0%

2010 Series D Warrants	As of April 5, 2008	As of December 31, 2008	As of December 31, 2009		As of December 27, 2010
Risk-free rate of return	3.67%	3.14%	Tranche 3 1.16%	Tranche 4 1.59%	1.11%
Expected remaining contractual life of the warrants	3.00	2.26	0.50	1.50	0.5
Volatility	48.10%	69.90%	45.70%	65.80%	38.0%
Expected dividend yield	0%	0%	0%	0%	0%

In regard to the aforementioned valuations of warrants, the risk-free rate of return is based on the yield curve of China Sovereign Bonds as of the valuation dates extracted from Bloomberg; the expected life of warrants was estimated based on expiration date of the warrants; the volatility was estimated based on the historical stock price volatility of listed comparable companies over a period comparable to the expected term of the warrants; and the expected dividend yield is based on our target paid-out ratio.

The fair value of the warrants changed from a liability of US\$9.2 million as of April 5, 2008 to an asset of US\$63.7 million as of December 31, 2008, primarily due to the fact that the financial projections were adjusted downward and the discount rate increased from 20% as of April 5, 2008 to 21% as of December 31, 2008, which was caused by the effects of the global financial crisis in the second half of 2008.

Table of Contents

The fair value of the warrants changed from an asset of US\$63.7 million as of December 31, 2008 to a liability of US\$21.5 million as of December 31, 2009. This was due in large part to the fair value of series D preferred shares increasing from US\$0.73 per share to US\$0.83 per share, which is primarily due to:

the negative effective of the global financial crisis on our business was much less than originally expected;

the overall economic growth in our principal geographic markets, which led to increased market demand for our services;

we experienced annual growth of 238.7% in net revenues from US\$13.8 million in 2008 to US\$46.7 million in 2009;

as our business grew and our size increased, we were in a better position to withstand unexpected economic changes. Accordingly, the discount rate used for valuation of our company's shares decreased from 21% for the December 31, 2008 valuation to 19% for the December 31, 2009 valuation; and

the terms of the warrants were amended as of July 2, 2009, as a result of which the tranche 4 warrants became only exercisable by the warrant holder.

The fair value of the warrants changed from a liability of US\$21.5 million as of December 31, 2009 to a liability of US\$81.4 million as of December 27, 2010. This was due in large part to the increase in fair value of series D preferred shares from US\$0.83 per share to US\$1.52 per share. The main reasons for the increase in fair value of the series D preferred shares are the same as the reasons for the increase in fair value of our ordinary shares as explained under the section "Fair Value of Ordinary Shares" above.

Income Taxes

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

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

U.S. GAAP requires that an entity recognize the impact of an uncertain income tax position on the income tax return at the largest amount that is more likely than not to be sustained upon audit by the relevant tax authority. If we ultimately determine that payment of these liabilities will be unnecessary, we will reverse the liability and recognize a tax benefit during that period. Conversely, we record additional tax charges in a period in which we determine that a recorded tax liability is less than the expected ultimate assessment. We did not recognize any significant unrecognized tax benefits during the periods presented in this prospectus.

Uncertainties exist with respect to the application of the PRC's New EIT Law and its implementing rules to our operations, specifically with respect to our tax residency status. The New EIT Law specifies that legal entities organized outside of the PRC will be considered residents for PRC income tax purposes if their de facto management bodies are located within the PRC. The New EIT Law's implementation rules define the term "de

Table of Contents

facto management bodies as establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.

Despite the uncertainties resulting from limited PRC tax guidance on the issue, we do not believe that our legal entities organized outside of the PRC constitute residents under the New EIT Law. If one or more of our legal entities organized outside of the PRC were characterized as PRC tax residents, the impact would adversely affect our results of operations. See **Risk Factors** **Risk Related to Doing Business in China** Our global income and the dividends that we may receive from our PRC subsidiary, dividends distributed to our non-PRC shareholders and ADS holders, and gain recognized by such shareholders or ADS holders, may be subject to PRC taxes under the New EIT Law, which would have a material adverse effect on our results of operations.

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

Table of Contents**Results of Operations**

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

	2008	Year ended December 31, 2009 (in thousands of US\$)	2010
Net revenues:			
Online advertising	\$ 6,776	\$ 18,408	\$ 32,003
IVAS:			
Online games	6,272	23,565	34,413
Other IVAS	734	4,711	10,119
Subtotal	7,006	28,276	44,532
Total net revenues	13,782	46,684	76,535
Cost of revenues	5,667	10,379	16,624
Gross profit	8,115	36,305	59,911
Operating expenses:			
Selling and marketing	7,111	19,375	20,281
Research and development	4,921	12,937	23,699
General and administrative	4,045	6,510	7,511
Impairment of intangible assets		211	739
Total operating expenses	16,077	39,033	52,230
(Loss) gain from operations	(7,962)	(2,728)	7,681
Change in fair value of warrants	72,875	(68,184)	(74,364)
Exchange (loss) gain on dual currency deposit	(12,908)	1,673	3,781
Interest income	801	288	335
Realized gain on marketable securities		755	
Gain on disposal of cost of method investment			40
Impairment of cost method investment	(350)		
Income (loss) before provision for income tax and loss in equity method investment, net of income taxes	52,456	(68,196)	(62,527)
Income tax (expenses) benefit	(523)	31	1,332
Income (loss) before loss in equity method investment, net of income taxes	51,933	(68,165)	(61,195)
Losses in equity method investment, net of income taxes	(41)	(102)	
Income (loss) from continuing operations	51,892	(68,267)	(61,195)
Discontinued operations:			
Loss from discontinued operations, net of tax			
	(2,740)	(2,481)	(4,301)
Gain on disposal of discontinued operations, net of tax		633	1,341

Edgar Filing: Renren Inc. - Form F-1/A

Loss on discontinued operations, net of tax	(2,740)	(1,848)	(2,960)
Net income (loss)			

	49,152	(70,115)	(64,155)
Add: Net loss attributable to the noncontrolling interest	185		
Net income (loss) attributable to Renren Inc.	\$ 49,337	\$ (70,115)	\$ (64,155)

Table of Contents***Year Ended December 31, 2010 Compared to Year Ended December 31, 2009***

Net revenues. Our net revenues increased by 63.9% from US\$46.7 million in 2009 to US\$76.5 million in 2010. This increase was due to increases in both our online advertising revenues and IVAS revenues.

Online advertising. Online advertising revenues increased by 73.9% from US\$18.4 million in 2009 to US\$32.0 million in 2010. This increase was attributable to the growth of our SNS platform and, therefore, user base and the increased use of our platform by advertisers to reach our users. The number of our activated users increased from 83 million as of December 31, 2009 to approximately 110 million as of December 31, 2010. Our monthly unique log-in users increased from 22 million in December 2009 to 26 million in December 2010. The increased use of our platform by advertisers is reflected in an increase of our advertisers average annual spending from US\$82,000 in 2009 to US\$129,000 in 2010 and an increase in the number of our advertisers from 224 in 2009 to 248 in 2010. The increase in the number of our advertisers was due to our effective marketing efforts to acquire new advertisers and the expansion of our sales force, as well as the greater market acceptance of SNS advertising as an effective way for advertisers to market their businesses. The increase of our average annual spending per advertiser was attributable to both an increase in advertising time and space our advertisers purchased from us during the period and the pricing strategy on our social networking internet platform which we developed during the period and which effectively increased the price we charged our advertisers for our advertising time and space. Revenues derived from pay-for-volume arrangements, which we began to offer in 2010, also contributed to our online advertising revenues in 2010. In 2010, US\$1.8 million, or 5.7% of our online advertising revenues, were derived from the newly developed pay-for-volume arrangements, as compared with nil in 2009.

IVAS. IVAS revenues increased by 57.5% from US\$28.3 million in 2009 to US\$44.5 million in 2010. The increase in IVAS revenues was due to increases in both online games revenues and other IVAS revenues. Online games revenues increased by 46.0% from US\$23.6 million in 2009 to US\$34.4 million in 2010 due to the increases in revenues from purchases by end users of in-game virtual merchandise or premium features and an increase in the number of licensed and internally developed games offered through our online games center. The number of third-party developed games we offered increased from 12 as of December 31, 2009 to 28 as of December 31, 2010. For our self-developed games, we had approximately 225,000 active paying users on a quarterly average basis in 2010, compared to 170,000 active paying users on a quarterly average basis in 2009. Other IVAS revenues increased by 114.8% from US\$4.7 million in 2009 to US\$10.1 million in 2010 due to increases in revenues from paid applications, VIP memberships, social commerce services and other value-added services we provided to our customers. Revenues from paid applications increased from US\$2.9 million in 2009 to US\$3.5 million in 2010 as a result of the increase in the revenues generated from our revenue-sharing agreements entered into between us and third-party application developers. The increases in our revenues generated from paid application and VIP memberships were a result of the increase in our average revenue per paying user, partially offset by the decrease in the number of paying users. Our other IVAS active paying users amounted to approximately 440,000 on a quarterly average basis in 2010, as compared to approximately 458,000 on a quarterly average basis in 2009. Our average revenues per paying user on a quarterly average basis was US\$3.77 in 2010, as compared to US\$2.43 in 2009. Revenues from VIP memberships increased from US\$0.8 million in 2009 to US\$2.1 million in 2010 as a result of an approximately 70% year-over-year increase in the number of our VIP members. Revenues derived from other value-added services we provided to our customers increased from US\$0.9 million in 2009 to US\$3.3 million in 2010, mainly attributable to the web-page creation services we provided to our customers. Our social commerce services, which we began to offer in June 2010 and which generated US\$1.2 million of revenues in 2010, also contributed to our other IVAS revenue growth. As of December 31, 2010, we had 1.6 million registered Nuomi users, including 0.7 million paying users.

Table of Contents

Cost of Revenues. Our cost of revenues increased by 60.2% from US\$10.4 million in 2009 to US\$16.6 million in 2010. This increase was due in large part to increases in bandwidth and co-location costs, which increased by 55.8% from US\$6.2 million in 2009 to US\$9.6 million in 2010, resulting from increased services needed to support the growth of our user traffic and users' content storage and consumption on our website. In addition, salaries and benefits increased from US\$0.8 million in 2009 to US\$1.4 million in 2010, primarily due to an increase in headcount, and direct advertisement costs increased from US\$1.0 million in 2009 to US\$1.6 million in 2010, resulting from increased advertising sales.

Operating Expenses. Our operating expenses increased by 33.8% from US\$39.0 million in 2009 to US\$52.2 million in 2010, primarily due to increases in research and development expenses and general and administrative expenses, which reflected the general growth of our business.

Selling and marketing expenses. Our selling and marketing expenses increased by 4.7% from US\$19.4 million in 2009 to US\$20.3 million in 2010. This increase was due to a 35.9% increase in salaries and other benefits for our sales and marketing personnel, from US\$5.2 million in 2009 to US\$7.1 million in 2010, due in part to an increase in the number of our sales and marketing staff to manage our increasing number of advertising customers. Advertising and promotion costs decreased from US\$11.7 million in 2009 to US\$9.1 million in 2010, as we conducted a large-scale advertising campaign in connection with the re-branding of Xiaonei to Renren in 2009, and we did not have a similar campaign in 2010.

Research and development expenses. Our research and development expenses increased by 83.2% from US\$12.9 million in 2009 to US\$23.7 million in 2010. This increase was primarily due to a 96.2% increase in salaries and other benefits for research and development personnel, from US\$8.5 million in 2009 to US\$16.7 million in 2010. The increase in salaries and other benefits for these personnel was mainly due to an increase in headcount to further expand our research and development capabilities. The increase in research and development expenses was also due to the increase in depreciation and amortization from US\$2.5 million in 2009 to US\$3.4 million in 2010, as we purchased additional servers and computers to support our research and development activities.

General and administrative expenses. Our general and administrative expenses increased by 15.4% from US\$6.5 million in 2009 to US\$7.5 million in 2010. This increase was primarily due to a 143.1% increase in salaries and other benefits for our general and administrative personnel, from US\$1.1 million in 2009 to US\$2.7 million in 2010, resulting from increased headcount. To a lesser extent, general and administrative expenses increased due to professional fees, which included legal fees and consulting fees relating to our corporate restructuring, increasing from US\$0.9 million in 2009 to US\$1.3 million in 2010.

Change in Fair Value of Warrants. We had losses from the change in fair value of the outstanding series D warrants of US\$68.2 million and US\$74.4 million in 2009 and 2010, respectively. For a detailed explanation of the change in the fair value of warrants, see Critical Accounting Policies Fair Value of Warrants.

Exchange Gain on Dual Currency Deposit. We had an exchange gain of US\$3.8 million on dual currency deposit in 2010, compared with an exchange gain of US\$1.7 million on dual currency deposit in 2009. The exchange gains related to dual currency deposits in U.S. dollars and Japanese yen and reflected the changes in the relative exchange rates between these currencies.

Income Tax Benefit. We incurred an income tax benefit of US\$1.3 million in 2010, as compared to an income tax benefit of US\$31,000 in 2009. With enhanced confidence in our ability to generate sufficient taxable income in certain of our entities, we no longer provided a full valuation allowance against deferred tax assets in 2010 as we had in 2009. Therefore, we had a significantly larger tax benefit in 2010.

Income (Loss) from Continuing Operations. As a result of the foregoing, we recorded net loss from continuing operations of US\$61.2 million in 2010, as compared to net loss from continuing operations of US\$68.3 million in 2009.

Table of Contents

Loss from Discontinued Operations. Loss from discontinued operations increased from US\$2.5 million in 2009 to US\$4.3 million in 2010. The loss in 2010 primarily related to Gummy Inc. and Mop.com, which had losses of US\$3.5 million and US\$0.8 million, respectively. The loss in 2009 primarily related to US\$1.7 million in losses incurred by Gummy Inc. We disposed of Gummy Inc. and Mop.com in December 2010.

Gain on Disposal of Discontinued Operations. We had a gain on disposal of discontinued operations of US\$1.3 million in 2010, compared with a gain of US\$0.6 million in 2009. The gain in 2010 was due to the sale in December 2010 of all of our equity interests in Mop.com and Gummy Inc. to a company owned by some of our existing shareholders for an aggregate consideration of approximately US\$18.1 million. The gain in 2009 related to the sale of part of our WVAS business.

Net Loss. As a cumulative result of the foregoing, we had a net loss of US\$64.2 million and US\$70.1 million in 2010 and 2009, respectively.

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

Net revenues. Our net revenues increased significantly by 238.7% from US\$13.8 million in 2008 to US\$46.7 million in 2009. This increase was primarily due to an increase in our IVAS revenues, and was also due to an increase in our online advertising revenues.

Online advertising. Online advertising revenues increased by 171.7% from US\$6.8 million in 2008 to US\$18.4 million in 2009. This increase was attributable to the increased acceptance by our advertisers of our social network internet services. The number of our activated users increased from 33 million as of December 31, 2008 to approximately 83 million as of December 31, 2009. Our monthly unique log-in users increased from 17 million in December 2008 to 22 million in December 2009. The number of advertisers on our platform grew rapidly from 139 in 2008 to 224 in 2009 as a result of our effective marketing efforts, sales force expansion and the greater market acceptance of SNS as an effective advertising platform. The average annual spending by our advertisers increased from US\$49,000 in 2008 to US\$82,000 in 2009, which was attributable to both the increase in advertising time and space our advertisers purchased from us during the period as well as the increase in overall prices we charged for our advertising time and space. In both 2008 and 2009, all of our online advertising revenues were derived from pay-for-time arrangements.

IVAS. IVAS revenues increased by 303.6% from US\$7.0 million in 2008 to US\$28.3 million in 2009. Online games revenues accounted for US\$23.6 million, or 83.3%, of our IVAS revenues in 2009, as compared to US\$6.3 million, or 89.5%, of our IVAS revenues in 2008. The IVAS revenue growth from 2008 to 2009 was primarily due to the success of our internally developed web game Tianshu Qitan, which was launched in late 2008 and accounted for 40.7% of our IVAS revenues in 2009. To a lesser extent, the increase in online revenues was due to an increase in the number of licensed games offered through our online games center. Other IVAS revenues increased from US\$0.7 million in 2008 to US\$4.7 million in 2009. This increase was mainly due to revenues from paid applications, which we began to recognize in 2009 and amounted to US\$2.9 million in that year, and an increase in revenues from VIP memberships from US\$83,000 in 2008 to US\$0.8 million in 2009, due to an increase in the number of paying users.

Cost of Revenues. Our cost of revenues increased by 83.1% from US\$5.7 million in 2008 to US\$10.4 million in 2009. The increase in our cost of revenues was due in large part to increases in bandwidth and co-location costs, which increased by 104.7% from US\$3.0 million in 2008 to US\$6.2 million in 2009, resulting from increased bandwidth and co-location costs needed to support the growth of our user traffic and users content consumption on our website. In addition, direct advertisement costs increased from US\$0.1 million in 2008 to US\$1.0 million in 2009, resulting from increased advertising sales.

Operating Expenses. Our operating expenses increased by 142.8% from US\$16.1 million in 2008 to US\$39.0 million in 2009, primarily due to a one-time, significant advertising campaign in 2009 to publicize our new Renren brand and to increased expenditures on salaries and benefits for research and development personnel, largely due to an increase in headcount.

Selling and marketing expenses. Our selling and marketing expenses increased by 172.5% from US\$7.1 million in 2008 to US\$19.4 million in 2009, primarily due to the increase of our marketing and

Table of Contents

brand promotion expenses from US\$2.3 million in 2008 to US\$11.7 million in 2009. A majority of our marketing and brand promotion expenses were used for a one-time, large-scale advertising campaign on television and other media in connection with the re-branding of Xiaonei to Renren. This increase was also due to the increase in salaries, benefits and commissions for our sales and marketing personnel from US\$2.6 million in 2008 to US\$5.2 million in 2009, primarily as a result of increased headcount.

Research and development expenses. Our research and development expenses increased by 162.9% from US\$4.9 million in 2008 to US\$12.9 million in 2009, primarily due to the increase in salaries and benefits for research and development personnel from US\$3.0 million in 2008 to US\$8.5 million in 2009, mainly resulting from an increased headcount. To a lesser extent, research and development expenses increased due to the increase in depreciation expenses from US\$1.0 million in 2008 to US\$2.5 million in 2009, relating to the purchase of servers and computers in connection with the expansion of our business.

General and administrative expenses. Our general and administrative expenses increased by 60.9% from US\$4.0 million in 2008 to US\$6.5 million in 2009. This increase was primarily due to the US\$0.7 million provision made in 2009 relating to the kaixin001.com litigation and a US\$1.0 million increase in share-based compensation expenses from US\$1.0 million in 2008 to US\$2.0 million in 2009.

Impairment of intangible assets. We had an impairment loss of US\$0.2 million in 2009, which consisted of an impairment of uume.com, a purchased domain name, as we decided to stop using this domain name after transferring all of the online games operated on www.uume.com to game.renren.com.

Change in Fair Value of Warrants. We had a gain from the change in fair value of the outstanding series D warrants of US\$72.9 million in 2008 and a loss of US\$68.2 million in 2009. For a detailed explanation of the change in the fair value of warrants, see Critical Accounting Policies Fair Value of Warrants.

Exchange (Loss) Gain on Dual Currency Deposit. We had an exchange loss of US\$12.9 million on dual currency deposit in 2008 and an exchange gain of US\$1.7 million on dual currency deposit in 2009. The exchange loss in 2008 primarily related to dual currency deposits in U.S. dollars and Australian dollars and reflected the changes in the relative exchange rates between these currencies, and the exchange gain in 2009 related to dual currency deposits in U.S. dollars and Japanese yen and reflected the changes in the relative exchange rates between these currencies.

Income Tax Expense. Income tax expense was US\$0.5 million in 2008 compared to an income tax benefit of US\$31,000 in 2009. We had marginal income tax expenses because our major operating entities either were tax exempted or had provided full valuation allowances to operating losses.

Income (Loss) From Continuing Operations. Income (loss) from continuing operations decreased from net income of US\$51.9 million in 2008 to a loss of US\$68.3 million in 2009 due to the foregoing reasons, including the change in the fair value of the series D warrants as a result of a change in value of the underlying shares.

Loss From Discontinued Operations. Loss from discontinued operations decreased from US\$2.7 million in 2008 to US\$2.5 million in 2009. The loss in 2009 was primarily due to US\$1.7 million in losses incurred by Gummy Inc. and US\$0.5 million in losses from the WVAS business previously operated by us. The loss in 2008 was primarily due to US\$0.8 million of losses incurred by Mop.com and US\$0.9 million of losses from the WVAS business.

Gain on Disposal of Discontinued Operations. We had a gain on disposal of discontinued operations of US\$0.6 million in 2009, which related to the sale of part of our WVAS business.

Net Income (Loss). As a cumulative result of the foregoing, we had a net loss of US\$70.1 million in 2009 as compared to net income of US\$49.2 million in 2008.

Table of Contents**Selected Quarterly Results of Operations**

The following table sets forth our unaudited consolidated quarterly results of operations for each of the eight quarters in the period from January 1, 2009 to December 31, 2010. You should read the following table in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. We have prepared this unaudited consolidated quarterly financial data on the same basis as we have prepared our audited consolidated financial statements. The unaudited consolidated financial data includes all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair statement of our financial position and operating results for the quarters presented.

	Three months ended							
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
	(in thousands of US\$) (unaudited)							
Net revenues:								
Online advertising	\$ 2,253	\$ 4,231	\$ 5,420	\$ 6,504	\$ 4,055	\$ 8,708	\$ 10,237	\$ 9,003
IVAS								
Online games	3,027	5,040	7,244	8,254	8,224	8,671	8,899	8,619
Other IVAS	668	978	1,377	1,688	1,741	2,455	2,648	3,275
Subtotal	3,695	6,018	8,621	9,942	9,965	11,126	11,547	11,894
Total net revenues	5,948	10,249	14,041	16,446	14,020	19,834	21,784	20,897
Cost of revenues	1,884	2,285	2,951	3,259	3,558	4,714	4,130	4,222
Gross profit	4,064	7,964	11,090	13,187	10,462	15,120	17,654	16,675
Operating expenses:								
Selling and marketing	427	3,837	5,276	9,835	4,852	5,591	5,061	4,777
Research and development	1,955	2,654	3,237	5,091	4,690	5,827	6,088	7,094
General and administrative	2,043	1,493	1,017	1,957	1,677	1,432	2,663	1,739
Impairment of intangible assets				211				739
Total operating expenses	4,425	7,984	9,530	17,094	11,219	12,850	13,812	14,349
(Loss) gain from operations	(361)	(20)	1,560	(3,907)	(757)	2,270	3,842	2,326
Change in fair value of warrants	(15,682)	(2,136)	(44,446)	(5,920)	(10,512)	(28,720)	2,590	(37,722)
Exchange (loss) gain on dual currency deposit			1,775	(102)	326	1,476	1,707	272
Interest income	40	138	48	62	49	92	90	104
Realized gain on marketable securities			755					
Gain on disposal of cost method investment								40
Income (loss) before provision for income tax and loss in equity method investment, net of income taxes	(16,003)	(2,018)	(40,308)	(9,867)	(10,894)	(24,882)	8,229	(34,980)
Income tax benefit (expense)	7	1	19	4	232	530	(175)	745
Income (loss) before loss in equity method investment, net of income taxes	(15,996)	(2,017)	(40,289)	(9,863)	(10,662)	(24,352)	8,054	(34,235)
Gain (loss) in equity method investment, net of income taxes	28	(14)	(14)	(102)				
Income (loss) from continuing operations	\$ (15,968)	\$ (2,031)	\$ (40,303)	\$ (9,965)	\$ (10,662)	\$ (24,352)	\$ 8,054	\$ (34,235)

Table of Contents

	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	Three months ended March 31, 2010 (in thousands of US\$)	June 30, 2010	September 30, 2010	December 31, 2010
Discontinued operations:								
Loss from operation of discontinued operations, net to tax	\$ (1,306)	\$ (552)	\$ 557	\$ (1,180)	\$ (1,413)	\$ (1,161)	\$ (761)	\$ (966)
Gain on disposal of discontinued operations, net of tax	633							1,341
Loss on discontinued operations, net of tax	(673)	(552)	557	(1,180)	(1,413)	(1,161)	(761)	375
Net income (loss)	\$ (16,641)	\$ (2,583)	\$ (39,746)	\$ (11,145)	\$ (12,075)	\$ (25,513)	\$ 7,293	\$ (33,860)
Non-GAAP financial measure ⁽¹⁾ :								
Adjusted net income (loss)	\$ 828	\$ 622	\$ 4,622	\$ (3,080)	\$ 645	\$ 5,219	\$ 6,317	\$ 5,198

(1) See Non-GAAP Financial Measure

We have generally experienced consistent growth in our quarterly net revenues for the eight quarters in the period from January 1, 2009 to December 31, 2010, although our net revenues were relatively lower in the first quarter of 2010 due to the seasonal fluctuation factor discussed below. The growth in our quarterly net revenues was attributable to increases in net revenues from our online advertising, as we continued to grow our user base and attract more advertisers, provide new and innovative advertising solutions and increase the average annual spending of our advertisers, as well as to increases in net revenues from our IVAS, a substantial majority of which were derived from online games.

Seasonal fluctuations and industry cyclicity have affected, and are likely to continue to affect, our online advertising services. We generally generate less revenues from online advertising during national holidays in China, in particular during the first quarter of each year due to the slowdown of business during the Chinese New Year holiday season that lasts approximately two weeks. 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 cyclicity. However, we expect that seasonal fluctuations and cyclicity will continue to cause our quarterly and annual operating results to fluctuate. See Risk Factors Risks Related 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.

Other factors have caused, and in the future may cause, our quarterly results of operations to fluctuate. For example, for the eight quarters ended December 31, 2010, the major factor impacting our results of operations was the change in fair value of the then outstanding series D warrants, which varied significantly from a loss of US\$44.4 million in the third quarter of 2009 to a gain of US\$2.6 million in the third quarter of 2010. All outstanding warrants to purchase series D preferred shares were exercised in December 2010. The significant increase in selling and marketing expenses in the fourth quarter of 2009 was primarily due to a one-time, large-scale advertising campaign on television and other media in connection with the re-branding of Xiaonei to Renren.

Non-GAAP Financial Measure

To supplement the income (loss) from continuing operations presented in accordance with U.S. GAAP, we use adjusted net income (loss) as a non-GAAP financial measure. We define adjusted net income (loss) as income (loss) from continuing operations excluding share-based compensation expenses, change in fair value of warrants, amortization of intangible assets and impairment of intangible assets. We present this non-GAAP

Table of Contents

financial measure because it is used by our management to evaluate our operating performance, in addition to income (loss) from continuing operations prepared in accordance with U.S. GAAP. We also believe it is useful supplemental information for investors and analysts to assess our operating performance without the effect of non-cash share-based compensation expenses, change in fair value of warrants, amortization of intangible assets and impairment of intangible assets. Pursuant to U.S. GAAP, we recognized the change in fair value of the then outstanding series D warrants in the statement of operations for the periods presented. All outstanding warrants to purchase series D preferred shares were exercised in December 2010.

The use of adjusted net income (loss) has material limitations as an analytical tool. One of the limitations of using this non-GAAP financial measure is that it does not include share-based compensation expenses, which have been and will continue to be significant recurring factors in our business. In addition, although amortization is a non-cash charge, the assets being amortized often will have to be replaced in the future, and adjusted net income (loss) does not reflect any cash requirements for such replacements. Further, because adjusted net income (loss) is not calculated in the same manner by all companies, it may not be comparable to other similar titled measures used by other companies. In light of the foregoing limitations, you should not consider adjusted net income (loss) as a substitute for or superior to income (loss) from continuing operations prepared in accordance with U.S. GAAP. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The following table sets forth the calculation of our adjusted net income (loss), which is determined by adding back to our income (loss) from continuing operations presented in accordance with U.S. GAAP (i) share-based compensation expenses, (ii) change in fair value of warrants, (iii) amortization of intangible assets and (iv) impairment of intangible assets.

	2008	Year ended December 31, 2009 (in thousands of US\$)	2010
Net income/(loss) from continuing operations	\$ 51,892	\$ (68,267)	\$ (61,195)
Add back: share-based compensation expenses	1,232	2,256	2,798
Add back: change in fair value of warrants	(72,875)	68,184	74,364
Add back: amortization of intangible assets	412	608	673
Add back: impairment of intangible assets		211	739
Adjusted net income/(loss)	\$ (19,339)	\$ 2,992	\$ 17,379

Table of Contents

	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	Three months ended March 31, 2010 (in thousands of US\$)	June 30, 2010	September 30, 2010	December 31, 2010
Net income (loss) from continuing operations	\$ (15,968)	\$ (2,031)	\$ (40,303)	\$ (9,965)	\$ (10,662)	\$ (24,352)	\$ 8,054	\$ (34,235)
Add back: Share-based compensation expenses	971	370	322	593	641	684	677	796
Add back: Change in fair value of warrants	15,682	2,136	44,446	5,920	10,512	28,720	(2,590)	37,722
Add back: Amortization of intangible assets	143	147	157	161	154	167	176	176
Add back: Impairment of intangible assets				211				739
Adjusted net income (loss)	\$ 828	\$ 622	\$ 4,622	\$ (3,080)	\$ 645	\$ 5,219	\$ 6,317	\$ 5,198

Liquidity and Capital Resources**Cash Flows and Working Capital**

To date, we have financed our operations primarily through issuance and sale of preferred shares and warrants to investors in private placements and, to a much lesser extent, from cash generated from our operating activities. We had a net increase in cash and cash equivalents of US\$45.7 million in 2010, and as of December 31, 2010, we had US\$136.1 million in cash and cash equivalents. We expect to require cash to fund our ongoing operational needs, particularly our bandwidth and co-location costs, salaries and benefits and potential acquisitions or strategic investments. Based on our existing cash balance and the historical pattern of our cash flows, we believe that our cash and the anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the next 12 months.

We intend to use a portion of the proceeds from this offering to further expand our operations and new services, but in the event that this offering is not completed, we plan to finance this expansion plan by using our current cash balance and cash generated from operating activities. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or expansions we may decide to pursue. For additional information, see [Use of Proceeds](#) and [Capital Expenditures](#).

Although we consolidate the results of Qianxiang Wangjing, Qianxiang Changda and Beijing Nuomi, our access to cash balances or future earnings of these entities is only through our contractual arrangements with Qianxiang Wangjing, Qianxiang Changda and Beijing Nuomi and their respective shareholders and subsidiaries. See [Corporate History and Structure](#) [Contractual Arrangements with Our Consolidated Affiliated Entities](#). For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see [Holding Company Structure](#).

Table of Contents

Our statement of cash flows does not separately present the cash flows for continuing operations and the cash flows from our discontinued operations, which consist of our WVAS business, Mop.com and Gummy Inc, other than the proceeds from the sale of the discontinued operations, which were separately reported in our statement of cash flow under the caption of Proceeds from disposal of subsidiaries. For the year 2010, the aggregate net operating cash outflow from these discontinued operations was US\$1.4 million. We do not expect that the absence of the discontinued operations will have a negative impact on our liquidity and capital resources in the future.

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

	2008	Year ended December 31, 2009 (in thousands of US\$)	2010
Net cash (used in) provided by operating activities	\$ (459)	\$ 57	\$ 17,288
Net cash used in investing activities	(31,524)	(16,698)	(4,265)
Net cash provided by financing activities	79,814	55,599	32,721
Net increase in cash and cash equivalents	47,831	38,958	45,744
Cash and cash equivalents at the beginning of the year	3,556	51,424	90,376
Effect of exchange rate changes	37	(6)	(57)
Cash and cash equivalents at the end of the year	\$ 51,424	\$ 90,376	\$ 136,063

Operating Activities

Net cash used in or provided for by operating activities consisted primarily of our net income or loss as adjusted by change in fair value of warrants, depreciation of servers and other equipment and non-cash adjustments, such as exchange loss on dual currency deposit, and further adjusted by changes in assets and liabilities, such as accounts receivable, accrued expenses and other liabilities and prepaid expenses and other current assets.

Net cash provided by operating activities amounted to US\$17.3 million in 2010. Our net cash provided by operating activities in 2010 reflected a net loss of US\$64.2 million, adjusted by the reconciliation of non-cash items of US\$79.4 million, which mainly included a change of fair value of warrants of US\$74.4 million, depreciation and amortization of US\$6.3 million, exchange gain on dual currency deposits of US\$3.8 million and gain on disposal of discontinued operations of US\$1.3 million. Additional factors affecting operating cash flow included an increase in prepaid expenses and other current assets of US\$4.3 million, an increase in accounts payable of US\$4.0 million and an increase in deferred revenue of US\$2.3 million. The increase in our account payable, prepaid expenses and other current assets and deferred revenue was in line with our overall revenue growth and the expansion of our operations from 2009 to 2010. A primary factor affecting our operating cash flows is the timing of cash receipts from sales of our services. We observed overall improved trends from 2009 to 2010 in the aging of our accounts receivable. As of December 31, 2010, more than 98.1% of our accounts receivable were aged less than 180 days, which percentage was 80.5% as of December 31, 2009.

Net cash provided by operating activities amounted to approximately US\$57,000 in 2009. Our net cash provided by operating activities in 2009 reflected a net loss of US\$70.1 million, adjusted by the reconciliation of non-cash items of US\$72.8 million, which mainly included change of fair value of warrants of US\$68.2 million, depreciation and amortization of US\$4.8 million and exchange gain on dual currency deposits of US\$1.7 million. Additional factors affecting operating cash flow included an increase in accounts receivable of US\$8.3 million primarily due to the significant increase in advertising revenues from 2008 to 2009, an increase in accrued expenses and other payables of US\$7.1 million as a result of our overall increased operating costs and expenses, an increase in prepaid expenses and other current assets of US\$4.2 million and an increase in deferred revenue of

Table of Contents

US\$1.9 million. Contributing to our shift to positive cash flow from operating activities in 2009 from 2008 was a 238.7% increase in net revenues from US\$13.8 million in 2008 to US\$46.7 million in 2009.

Net cash used in operating activities amounted to US\$0.5 million in 2008, primarily attributable to net income of US\$49.2 million, adjusted for certain non-cash items such as a gain on fair value change of warrants of US\$72.9 million, offset by an exchange loss on dual currency deposit of US\$12.9 million and depreciation and amortization of US\$3.1 million as well as the working capital account impact which mainly includes a decrease in prepaid expenses and other current assets of US\$4.0 million. The exchange loss on dual currency deposits related to dual currency deposits in U.S. dollars and Australian dollars and reflected the changes in the relative exchange rates between these currencies.

Investing Activities

Net cash used in investing activities largely reflects our purchases and sales of short-term investments and capital expenditures.

Net cash used in investing activities amounted to US\$4.3 million in 2010, primarily attributable to the investment in our network infrastructure and intangible assets in the amount of US\$5.9 million to continue to support our business growth, offset in part by net proceeds of US\$1.6 million received from the redemption of a short-term investment.

Net cash used in investing activities amounted to US\$16.7 million in 2009, primarily attributable to the purchase of shares in publicly listed companies and purchases of computer servers.

Net cash used in investing activities amounted to US\$31.5 million in 2008, primarily attributable to the purchase of shares in publicly listed companies and losses on dual currency deposits, as well as purchases of computer servers and certain game licenses.

Financing Activities

Net cash provided by financing activities amounted to US\$32.7 million in 2010, primarily attributable to proceeds from the exercise of series D warrants in July 2010 and subscription of our ordinary shares in the amount of US\$87.8 million, partially offset by cash paid for repurchase of shares and other financing-related activities in the amount of US\$55.1 million.

Net cash provided by financing activities amounted to US\$55.6 million in 2009, primarily attributable to proceeds from the exercise of series D warrants in the amount of US\$80.4 million, partially offset by the repurchase of our series A, B and C preferred shares in the aggregate amount of US\$24.6 million.

Net cash provided by financing activities amounted to US\$79.8 million in 2008, primarily attributable to the net proceeds from the issuance of our series D preferred shares in the amount of US\$127.2 million, partially offset by the repurchase of our series C preferred shares in the amount of US\$48.1 million.

Capital Expenditures

We made capital expenditures of US\$6.2 million, US\$10.1 million and US\$5.9 million in 2008, 2009 and 2010, respectively. In the past, our capital expenditures were primarily used to purchase servers and other equipment for our business. We expect that our capital expenditures in 2011 will increase from 2010 as we purchase additional computers and servers and expand our network infrastructure to support the growth of our business.

Table of Contents**Contractual Obligations**

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

	Total	Payment Due by Period			More than 5 years
		Less than 1 year	1-3 years	3-5 years	
		(in thousands of US\$)			
Operating lease obligations ⁽¹⁾	9,016	9,006	10		

- (1) We lease facilities and offices under non-cancelable operating lease agreements. In addition, we pay telecommunications carriers and other service providers for telecommunications services and for hosting its servers at their internet data centers under non-cancelable agreements, which are treated as operating leases.

Holding Company Structure

We are a holding company with no material operations of our own. We conduct our operations primarily through our wholly owned subsidiary in China, Qianxiang Shiji, and our consolidated affiliated entities in China, Qianxiang Tiancheng, Qianxiang Wangjing, Qianxiang Changda and Beijing Nuomi. Under PRC law, Qianxiang Shiji and each of our consolidated affiliated entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. Qianxiang Shiji is permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations.

After Qianxiang Wangjing, Qianxiang Changda and Beijing Nuomi make appropriations for their respective statutory reserves and retain any profits, each of their remaining net profits are distributable to their sole shareholder, Qianxiang Tiancheng, in the form of an RMB dividend. Pursuant to the contractual arrangements between Qianxiang Tiancheng and Qianxiang Shiji, Qianxiang Tiancheng's earnings and cash (including dividends received from its subsidiaries) are used to pay service and license fees in RMB to Qianxiang Shiji, in the manner and amount set forth in these agreements. After paying the withholding taxes applicable to Qianxiang Shiji's revenue and earnings, making appropriations for its statutory reserve requirement and retaining any profits from accumulated profits, the remaining net profits of Qianxiang Shiji would be available for distribution to its sole shareholder, CIAC, and from CIAC to us, although we have not, and do not have any present plan to make such distributions. As of December 31, 2010, the net assets of Qianxiang Shiji and our consolidated affiliated entities which were restricted due to statutory reserve requirements and other applicable laws and regulations, and thus not available for distribution, was in aggregate US\$29.8 million, and the net assets of Qianxiang Shiji and our consolidated affiliated entities which were unrestricted and thus available for distribution was in aggregate US\$11.1 million. We do not believe that these restrictions on the distribution of our net assets will have a significant impact on our ability to timely meet our financial obligations in the future.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our 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. 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 product development services with us.

Table of Contents

Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the consumer price index in China increased by 5.9% in 2008, fell by 0.7% in 2009 and increased by 3.3% in 2010. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

Quantitative and Qualitative Disclosure about Market Risk

Foreign Exchange Risk

Substantially all of our revenues and expenses are denominated in RMB. We had an exchange loss of US\$12.9 million on dual currency deposit in 2008, which primarily related to dual currency deposits in U.S. dollars and Australian dollars and reflected the changes in the relative exchange rates between these currencies. We had gains of US\$1.7 million and US\$3.8 million on dual currency deposit in 2009 and 2010, respectively, which primarily related to dual currency deposits in U.S. dollars and Japanese yen and reflected the changes in the relative exchange rates between these currencies. In addition, in January 2011 we received the Japanese yen equivalent of US\$198.0 million following SOFTBANK CORP.'s exercise in full of all of their remaining warrants to purchase series D preferred shares, all of which have been converted into U.S. dollars.

To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. Although our exposure to foreign exchange risks is generally limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the RMB because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the revised policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in a more than 20% appreciation of the RMB against the U.S. dollar in the following three years. Since July 2008, however, the RMB has traded within a narrow range against the U.S. dollar. As a consequence, the RMB has fluctuated significantly since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the PBOC announced that the PRC government would further reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. It is difficult to predict how this new policy may impact the Renminbi exchange rate. To the extent that we need to convert U.S. dollars we receive from this offering into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert the RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

We estimate that we will receive net proceeds of approximately US\$628.8 million from this offering and the concurrent private placements, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us, based on the initial offering price of US\$13.00 per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus). Assuming that we convert the full amount of the net proceeds from this offering into RMB, a 10% appreciation of the RMB against the U.S. dollar, from a rate of RMB6.6000 to US\$1.00 to a rate of RMB6.0000 to US\$1.00, will result in a decrease of RMB377.3 million of the net proceeds from this offering. Conversely, a 10% depreciation of the RMB against the U.S. dollar, from a rate of RMB6.6000 to US\$1.00 to a rate of RMB7.3333 to US\$1.00, will result in an increase of RMB461.1 million of the net proceeds from this offering.

Table of Contents***Interest Risk***

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we 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.

Recent Accounting Pronouncements

In September 2009, the FASB issued an authoritative pronouncement regarding the revenue arrangements with multiple deliverables. This pronouncement was issued in response to practice concerns related to the accounting for revenue arrangements with multiple deliverables under existing pronouncement. Although the new pronouncement retains the criteria from existing authoritative literature when delivered items in a multiple-deliverable arrangement should be considered separate units of accounting, it removes the previous separation criterion that objective and reliable evidence of the fair value of any undelivered items must exist for the delivered items to be considered a separate unit or separate units of accounting. The new pronouncement is effective for fiscal years beginning on or after June 15, 2010. Entities can elect to apply this pronouncement (1) prospectively to new or materially modified arrangements after the pronouncement's effective date or (2) retrospectively for all periods presented. Early application is permitted; however, if the entity elects prospective application and early adopts this pronouncement after its first interim reporting period, it must also do the following in the period of adoption: (1) retrospectively apply this pronouncement as of the beginning of that fiscal year and (2) disclose the effect of the retrospective adjustments on the prior interim periods' revenue, income before taxes, net income, and earnings per share. We are in the process of evaluating what effect the adoption of this pronouncement will have on our consolidated financial condition and results of operations.

In September 2009, the FASB issued an authoritative pronouncement regarding software revenue recognition. This new pronouncement amends existing pronouncement to exclude from their scope all tangible products containing both software and non-software components that function together to deliver the product's essential functionality. That is, the entire product (including the software deliverables and non-software deliverables) would be outside the scope of software revenue recognition and would be accounted for under other accounting literature. The new pronouncement include factors the entities should consider when determining whether the software and non-software components function together to deliver the product's essential functionality and are thus outside the revised scope of the authoritative literature that governs software revenue recognition. The pronouncement is effective for fiscal years beginning on or after June 15, 2010. Entities can elect to apply this pronouncement (1) prospectively to new or materially modified arrangements after the pronouncement's effective date or (2) retrospectively for all periods presented. Early application is permitted; however, if the entity elects prospective application and early adopts this pronouncement after its first interim reporting period, it must also do the following in the period of adoption: (1) retrospectively apply this pronouncement as of the beginning of that fiscal year and (2) disclose the effect of the retrospective adjustments on the prior interim periods' revenue, income before taxes, net income, and earnings per share. We are in the process of evaluating what effect the adoption of this pronouncement will have on our consolidated financial condition and results of operations.

In January 2010, the FASB issued authoritative guidance to improve disclosures about fair value measurements. This guidance amends previous guidance on fair value measurements to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurement on a gross basis rather than as a net basis as currently required. This guidance also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This guidance is effective for annual and interim periods beginning after December 15, 2009, except for the requirement to provide the Level 3 activities of purchases, sales, issuances, and settlements on a gross basis, which will be effective for annual and interim periods beginning after December 15, 2010. Early application is permitted and in the period of initial adoption,

Table of Contents

entities are not required to provide the amended disclosures for any previous periods presented for comparative purposes. We do not expect the adoption of this pronouncement will have a significant effect on our consolidated financial position or results of operations.

In April 2010, the FASB issued an authoritative pronouncement regarding the milestone method of revenue recognition. The scope of this pronouncement is limited to arrangements that include milestones relating to research or development deliverables. The pronouncement specifies guidance that must be met for a vendor to recognize consideration that is contingent upon achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. The guidance applies to milestones in arrangements within the scope of this pronouncement regardless of whether the arrangement is determined to have single or multiple deliverables or units of accounting. The pronouncement will be effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early application is permitted. Companies can apply this guidance prospectively to milestones achieved after adoption. However, retrospective application to all prior periods is also permitted. We are in the process of evaluating what effect the adoption of this pronouncement will have on our consolidated financial condition and results of operations.

In July 2010, the FASB issued an authoritative pronouncement on disclosure about the credit quality of financing receivables and the allowance for credit losses. The objective of this guidance is to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. The guidance requires an entity to provide disclosures on a disaggregated basis on two defined levels: (1) portfolio segment; and (2) class of financing receivable. The guidance includes additional disclosure requirements about financing receivables, including: (1) credit quality indicators of financing receivables at the end of the reporting period by class of financing receivables; (2) the aging of past due financing receivables at the end of the reporting period by class of financing receivables; and (3) the nature and extent of troubled debt restructurings that occurred during the period by class of financing receivables and their effect on the allowance for credit losses. For public entities, the disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. In January 2011, the FASB issued another authoritative pronouncement, which temporarily defers the effective date for disclosures about troubled debt restructurings (TDRs) by creditors until it finalizes its project on determining what constitutes a TDR for a creditor. The deferral in this amendment is effective upon issuance. The deferred TDR disclosures were slated to be effective in the first quarter of 2011 for public companies with calendar year-ends. We are in the process of evaluating what effect the adoption of this pronouncement will have on our consolidated financial condition and results of operations.

In December 2010, the FASB issued an authoritative pronouncement on when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. The amendments in this update modify Step 1 so that for those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce that fair value of a reporting unit below its carrying amount. For public entities, the guidance is effective for impairment tests performed during entities' fiscal years (and interim periods within those years) that begin after December 15, 2010. Early adoption will not be permitted. We do not expect the adoption of this pronouncement will have a significant effect on our consolidated financial position or results of operations.

In December 2010, the FASB issued an authoritative pronouncement on disclosure of supplementary pro forma information for business combinations. The objective of this guidance is to address diversity in practice regarding the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments in this update specify that if a public entity presents comparative financial

Table of Contents

statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, non-recurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments affect any public entity as defined by Topic 805 that enters into business combinations that are material on an individual or aggregate basis. The amendments will be effective for business combinations consummated in periods beginning after December 15, 2010, and should be applied prospectively as of the date of adoption. Early adoption is permitted. We do not expect the adoption of this pronouncement will have a significant effect on our consolidated financial position or results of operations.

Table of Contents

INDUSTRY BACKGROUND

The evolution of internet technology has promoted the interactivity of web-delivered content, significantly enhancing the online experience for internet users. The internet has evolved from a channel where publishers post content for passive consumption into a dynamic arena where users have become creators of content. This evolution has allowed internet users to develop more engaging online relationships. Users increasingly have the ability to contribute to each other's internet experience by generating and sharing content both as individuals as well as collaboratively. We believe that this interactivity has enabled internet users today to be more closely connected.

The Emergence of Social Networking Internet Services

Social networks, in particular, have become widely popular by allowing users to create personalized online profiles and connect with friends and other users through various online channels. By recreating real-life relationships, social networks allow users to expand their social circles beyond daily face-to-face interactions and activities. Users are now able to easily create and share information and content with their own networks of other users. We believe this advancement in user interactivity has made social networking one of the dominant forms of online media. By allowing users to navigate the vast amount of personal content available on the internet, social networks have fundamentally altered the way that users consume information and interact on the internet. Consumers are moving beyond the standardized media formats of content sites and portals and are instead using social media tools such as photo sharing, news feeds, blogs and micro-blogging to discover, share and consume personalized content. We believe that personal and professional social network communities increasingly help contribute to and define users' online experiences.

Drivers for Social Networking Internet Services in China

Internet Adoption. In China, the popularity of social networking is driven by a massive addressable user base and the growing availability of internet access across multiple platforms and devices. China already has the largest internet user and mobile user populations in the world, and is forecasted to continue growing rapidly. According to a report published in July 2010 by IDC, at the end of 2009, China's internet user population and mobile internet user population was higher than the internet user population and mobile internet user population in the United States. According to a January 2011 press release by the Ministry of Industry and Information Technology of China, at the end of 2010, China had 457 million internet users and 859 million mobile users, of which 303 million accessed the internet through their mobile devices. According to a report published in January 2011 by DCCI, between 2011 and 2015, mobile internet usage in China is projected to grow at a CAGR of 19.5% and exceed the 12.4% CAGR of traditional internet usage. Accordingly, it is expected that more people will access the internet through mobile devices than through personal computers in China by 2013. These user growth trends have given rise to social network platforms that combine both traditional internet and mobile internet channels to provide users with ubiquitous network access.

Table of Contents

Number of End Users in China by Media Interface

Source: DCCI, January 2011

Demographics. China has a relatively young and active internet population, with 58.2% of internet users below the age of 30 and with students comprising 30.6% of the total user population, according to a report published in January 2011 by CNNIC, or the CNNIC 2011 Report. Users spent an average of 18.3 hours per week on the internet in 2010. We believe China's young and active online demographic is particularly interested in using social networks. As the internet population in China ages and increases in size, the spending power of internet users will continue to grow, providing further monetization opportunities for social networks.

Internet Usage Trends. In China, where traditional media channels remain fragmented and under-developed, online entertainment and online communities have gained wide popularity. According to the CNNIC 2011 Report, the most popular internet activities in China include searching for information, listening to music, reading news, instant messaging and playing games. Social networks combine a number of key functions within a single offering which satisfy popular entertainment and communication preferences of users. Much of the growth and popularity in social networking internet services in China has been driven by domestic companies. Leading international social networks have largely been unable to replicate their success in the China market so far due to language barriers, government restrictions and other business factors. This is similar to the trends seen in other internet verticals such as portals, search engines and e-commerce. The dominance of domestic social networking offerings in China is likely to continue due to brand awareness, existing user engagement, understanding of the local market and the high switching cost for users who populate their profiles with personal content. While social networking has already captured a considerable share of the time Chinese internet users spend online, there is still significant potential for future growth. According to data issued in July 2010 by comScore Media Metrix, 38.4% of internet users in China engaged in online social networking as of April 2010, compared to 69.8% globally and 81.4% in the United States. Internet users in China spent 7.8% of their online time on social networking sites, compared to 13.9% globally and 11.6% in the United States in April 2010.

Usage of Real Names. We believe that the rise of social networking in China has been the result of the continuous evolution of online entertainment. Early Chinese online communities, such as instant messaging platforms or online games, were based on anonymity, with users assuming aliases or virtual identities in their interactions with other users. However, we believe that as Chinese users have become more comfortable and trusting in their interactions over the internet, the real name model has become increasingly popular. We believe the use of real names enables more robust, engaging real-life interactions amongst users and has allowed trusted social networks to gain broad acceptance in China. Real names also facilitate the sharing of content within social networks as users are more likely to accept content provided by known friends. In addition, advertisers can target specific users with relevant advertising using real names rather than general mass market advertising.

Table of Contents

Open Platforms. As social networks expand, providing new applications is vital to attracting new users and maintaining user engagement. Early social networks were closed communities where all applications were developed and controlled internally. By adopting an open platform strategy, certain social networks have allowed third-party developers to introduce new applications directly to users within the network. This open strategy greatly enhances the ability of social networks to offer a broad portfolio of applications to users. Third-party developers benefit through open platforms by gaining access to a large population of users to monetize their products. Popular social networks with open platforms can support synergistic ecosystems of partner companies which enhance the social network experience for users by providing the infrastructure for group applications such as social commerce and social gaming.

Mobile Social Networking. The increasing adoption of the mobile internet in China is driving a shift in social networking towards mobile devices. According to the CNNIC 2011 Report, 36.6% of mobile users in China used mobile devices to access social networks in 2010. This percentage is expected to grow in the future as users seek greater access to social networks from any location. Mobile technology will also provide opportunities to develop new services and applications such as location-based services which target users based on their physical location.

Monetization of Social Networking Internet Services

As the internet economy continues to evolve in China, new monetization models for social networks continue to emerge, driven by the growth of social networking users, the increasing propensity for social networking users to spend time online and the increasing adoption of the internet as a platform for commerce.

Online Advertising

As the scale of internet usage continues to grow in China, the internet is expected to surpass newspapers as the second largest advertising medium after television by 2011. The internet overcomes many limitations of traditional media advertising by enabling advertisers to target their desired audience based on the content being viewed using a wider range of advertising formats. The internet also permits advertisers to measure precisely the number of user views for an advertisement, providing more precise return metrics than traditional media such as television or print. As a result, advertisers are expected to allocate a greater percentage of their overall advertising budget to online media versus traditional media. According to a report published in October 2010 by ZenithOptimedia, it is estimated that internet advertising expenditures in China will increase to US\$7.0 billion in 2012, representing an expected CAGR of 32.3% from 2009 to 2012. This will represent 23.2% of overall advertising spending in China in 2012, an increase from 15.2% in 2009. The following graph sets forth the share of advertising spending in China by medium in 2009 and 2012.

Table of Contents

Share of Advertising Spending by Medium in China

2009

2012E

Source: ZenithOptimedia, October 2010

Social network advertising in China represents a growing segment of online advertising expenditures, as the broad reach and high level of user engagement make social network communities an attractive audience for advertisers. Interactions among real name users, such as word-of-mouth product recommendations, have powerful implications for advertising campaigns. Brand advertisers are also developing innovative means to reach users through social networks, such as micro-communities, where users can interact directly in real-time with the profiles established by their favorite brands. Given the amount and the richness of personal data users share on the network, advertisers can also target their most desirable audience with effective advertising. According to a report dated June 9, 2010 by iResearch, social networking advertising is expected to grow from RMB760 million in 2009 to RMB4.6 billion in 2013, representing a CAGR of 56.6%. According to data issued in November 2010 by comScore Ad Metrix, the number of impressions generated from social network advertising in the United States grew from 61.3 billion in October 2009 to 146.2 billion in October 2010.

The mobile internet advertising sector is still in the early stages of development in China as business models for mobile internet develop. We believe that similar to internet advertising, the growth in mobile internet adoption will continue to drive advertising spending. Mobile advertising presents even greater targeting capabilities than internet advertising by providing direct access to users and the potential to effectively target users based on their physical location.

Internet Value-Added Services

Social networks provide a convenient online channel to distribute a broad range of services directly to users to enhance their social network experience. These services can be developed directly by the social network operator or by third-party developers for social networks that accommodate open programming interfaces. Such services can be offered for a fee to users, which generates revenues for social networks and developers. Examples of paid services include virtual gift items or profile enhancements such as greater online storage capacity for personal photos.

One of the most popular categories of online paid applications for users is online games. Prior to the emergence of social networks, large-scale online games supported distinct and unique communities of users. Increasingly, online games are being incorporated into social networks as an integral part of a portfolio of interactive services for users. These games allow users to further interact by playing together online. In China, online games have gained widespread popularity, particularly massive multiplayer online games, or MMOGs. With the emergence of social networks, other forms of online games have gained popularity, such as web-based

Table of Contents

games that are typically simpler to play than MMOGs and are based on common community interests or functions. Advancements in technology have also led to the development of advanced 3D flash-based games which support vivid user interfaces.

In China, the monetization of all types of online games has largely been driven by the sale of virtual game items to be used within games. According to a report published in January 2010 by IDC, revenues from virtual item-based online games in 2008 was RMB14.0 billion, accounting for 76.2% of the total online gaming market. IDC also estimates that virtual item-based games will continue to grow and are expected to reach revenues of RMB36.4 billion in 2013, representing a 21% CAGR for 2008-2013. By 2013, virtual item-based games will account for 91.4% of the total online games market in China.

Social Commerce

A recent development in global e-commerce has been the emergence of social commerce, which leverages social network communities to generate localized demand for products and services. Social commerce services fill an advertising void by providing broad internet exposure for local, small, and niche businesses, which would otherwise have difficulty supporting large-scale advertising campaigns. In the social commerce model, a merchant posts a discount offer to a community of users and sets a minimum threshold of buyers that must enroll in the offer in order for the discount to be effective. The threshold motivates prospective buyers to generate publicity for a given deal using social networking tools. According to a report dated January 18, 2011 by China e-Business Research Center, over 1,800 social commerce service providers have emerged in China since 2009. China e-Business Research Center estimates that the total sales value of the social commerce industry in China reached RMB8.9 billion (US\$1.3 billion) in 2010, and will increase to RMB24.0 billion (US\$3.6 billion) in 2011, representing 170.9% year-over-year growth. The broad reach and high level of user engagement of social networks provides for inexpensive and rapid user publicity which enhances the return on investment of promotional offers. Merchants view the discounts provided as a cost of marketing that results in guaranteed customer spending and foot traffic. We believe that, as a result, many merchants find social commerce to be a more efficient use of their marketing budget than traditional methods, such as newspaper, radio or television advertisements.

Table of Contents

BUSINESS

Overview

We operate the leading real name social networking internet platform in China as measured by total page views and total user time spent on social networking websites in February 2011, based on data issued in March 2011 by iResearch. Our platform enables our users to connect and communicate with each other, share information and user-generated content, play online games, listen to music, shop for deals and enjoy a wide range of other features and services. We had approximately 117 million activated users as of March 31, 2011. Our goal is to continue to lead and define the internet social networking industry in China. To achieve this goal, we are focused on providing a highly engaging and interactive SNS platform that promotes connectivity, communication and sharing among our users.

We believe our users are attracted to our large and highly engaged real name community, the broad range of rich communication features and functions on our real name SNS internet platform, our information and content-sharing features, and our offering of a variety of online games and other applications and services. Our platform includes renren.com, our main social networking website, game.renren.com, our online games center, nuomi.com, our social commerce website, and jingwei.com, our newly launched professional and business social networking service website. Our renren.com website is one of the largest social networking websites in China as measured by monthly unique visitors in February 2011, based on data issued in March 2011 by iResearch.

The quality of our user experience is reflected in the continued growth of our user base and their high level of engagement and interactivity on our platform. From January 2011 through March 2011, we added an average of approximately two million new activated users per month. Our users' high level of engagement with our platform is reflected in the amount of time our users spend on our platform, as well as their interactions through it. For example, from January 2011 through March 2011, our unique log-in users spent a monthly average of approximately seven hours on our platform, and our users collectively produced a daily average of approximately 40 million pieces of user-generated content, including approximately three million photos and 13 million status updates.

Our market leadership stems from our track record of innovation and our pioneering role in China's social networking service industry. We believe many features and functions that we introduced to the China market have improved the quality of our user experience and have subsequently become standard throughout the industry. For example, we believe renren.com was the first major social networking website in China to offer services like our Renren Open Platform program and Renren Connect program. Our Renren Open Platform program allows users to access high quality applications from third-party developers through our open application programming interface. Our Renren Connect program allows our users to sign in and share information and content from over 600 Renren Connect partner websites. In addition, in order to meet Chinese users' needs and preferences for instant notification and real time communication, we created our Renren Desktop client application, which we believe is unique among major global social networking websites. This application provides real time news feed updates while also facilitating instant messaging among our users.

We believe a key driver of our long-term success is the continued rapid introduction of new services and features that can leverage our existing platform and large user base. For example, the size of our existing renren.com user base allowed us to launch and quickly expand our social commerce services on nuomi.com, whose first offer in June 2010 resulted in purchases of over 150,000 pairs of movie tickets for a single movie theater complex in Beijing. Over 60% of nuomi.com's users are renren.com users. Nuomi.com became a leading social commerce website in China for 2010 according to a report published in January 2011 by China e-Business Research Center. More recently, we launched jingwei.com, a professional and business social networking service website, to further leverage our existing user base.

We currently generate revenues from online advertising and IVAS, which are comprised of online games and other IVAS. Our total net revenues increased from US\$13.8 million in 2008 to US\$46.7 million in 2009 and to US\$76.5 million in 2010, representing a CAGR of 135.7% from 2008 to 2010. We had a net income from

Table of Contents

continuing operations of US\$51.9 million, a net loss from continuing operations of US\$68.3 million and a net loss from continuing operations of US\$61.2 million in 2008, 2009 and 2010, respectively. Our net income and net losses from our continuing operations reflect the aggregate impact of non-cash items relating to the change in fair value of our then outstanding series D warrants, share-based compensation, amortization of intangible assets and impairment of intangible assets of US\$71.2 million in income in 2008, US\$71.3 million in expenses in 2009 and US\$78.6 million in expenses in 2010. All outstanding warrants to purchase series D preferred shares were exercised in December 2010.

Due to PRC legal restrictions on foreign ownership and investment in value-added telecommunications services and advertising businesses in China, we operate our business primarily through Qianxiang Tiancheng, which is our consolidated affiliated entity in China, and its subsidiaries. We do not hold any equity interest in Qianxiang Tiancheng or its subsidiaries. However, through a series of contractual arrangements with Qianxiang Tiancheng and its shareholders, we effectively control, and are able to derive substantially all of the economic benefits from, Qianxiang Tiancheng and its subsidiaries.

Our Strengths

We believe that the following strengths contribute to our success and differentiate us from our competitors:

Largest Real Name Social Networking Internet Platform in China

We operate the leading real name social networking internet platform in China as measured by total page views and total user time spent on social networking websites in February 2011. Based on data issued in March 2011 by iResearch, in February 2011, we had 2.3 times as many monthly total page views as our closest competitor. We believe the large size and deep interconnectivity of our user base form a barrier to entry and also allow us to quickly introduce multiple services to a large audience. As our platform is an extension of real-life relationships, it enables a more meaningful level of user engagement and interaction and enhances the value of our platform to all of the constituents of the Renren community, including users, advertisers, application developers and third-party websites. We grew our platform from a community of students at China's leading universities, and we believe that the substantial majority of college students in China today have a user account with us. We opened our platform to non-students in November 2007 and have since rapidly grown our user base by targeting young urban professionals and, more recently, high school students. We believe our main demographic focus on individuals who have received or are receiving higher education positions us well to target other demographic groups and also attract advertisers to our platform.

Integrated Platform Consisting of Multiple Services and Features

We have developed a highly integrated platform comprised of our robust social networking community and our market-leading online game and social commerce operations, and our online advertising services and functions. Because of the size of our user base and integrated nature of our platform, we are able to realize substantial benefits in developing and launching new services and features that both leverage our large user base and attract additional users to our platform. For example, we launched nuomi.com in June 2010 in Beijing and it quickly expanded to a total of 32 major cities and municipalities across China as of March 31, 2011. Additionally, our platform utilizes a common technology infrastructure to offer a consistent and high quality user experience across all applications offered through renren.com, which further accelerates the adoption of services among our user base. The comprehensive nature of our integrated platform allows us to engage our users in multiple ways, enabling us to deepen our relationship with our users and increase user loyalty.

Highly Engaged Users

As we have expanded the features, services and applications offered by our platform, we have become one of the most popular places on the internet where users interact with their friends, enjoy various types of

Table of Contents

entertainment, including online games, and share content, interests and updates on their lives. We are able to offer our users an increasingly rich experience by leveraging the information contained in each individual user's social graph, which is a user's network of relationships and interactions with other users. By growing the volume of relationships and interactions within the Renren community, our platform creates stronger bonds between users and fosters significant loyalty to Renren, which ultimately enhances the value of our platform and increases switching costs.

Our users' high level of engagement with our platform is reflected in the amount of time our users spend on our platform, as well as their interactions through it. For example, from January 2011 through March 2011, our unique log-in users spent a monthly average of approximately seven hours on our platform, and our users collectively produced a daily average of approximately 40 million pieces of user-generated content, including approximately three million photos and 13 million status updates. We believe that the active sharing and creation of personal content and information elevates the switching costs for our users and creates a more engaged community.

Rapid Introduction of New Features and Services

We are highly focused on improving our user experience by introducing new, and improving existing, functions and features on our real name SNS internet platform. We believe our strong internal technical development capabilities and scalable technology architecture have allowed us to be an innovator in China's social networking industry. For example, we were the first in China to introduce chewen.com, a real name-based social Q&A service for automotive-related topics. We have also designed our platform to allow our users to access Renren anytime and from any internet-enabled device. In March 2011, our unique mobile log-in users represented approximately 30% of our total unique log-in users. In addition, we recently introduced Renren Check-In, which allows users to use their mobile devices to share their location information and check which friends are nearby, and Renren Like, which allows users to share third-party content with just one click. For our SNS platform and Renren Desktop application, we use proprietary algorithms to optimize the results shown in our users' individual news feeds and to improve the quality of users' social graphs. Our focus on innovation has allowed us to enhance our relationships with our users, third-party application developers, Renren Connect partner websites and advertisers, giving us a highly strategic and valuable position within the Chinese internet ecosystem.

Multiple Established Revenue Sources

We have a track record of leveraging our user base to generate revenues from multiple sources, including online advertising, IVAS such as online games and social commerce services, and other paid services and applications. We believe our user base forms an attractive target demographic for advertisers to whom we offer a broad range of online advertising formats, including our innovative social ad, which allows advertisers to target users in a non-intrusive yet engaging manner based on users' self-expressed interests. We have a broad and diversified base of brand advertisers. In addition to online advertising, we generate revenues directly from our users by selling our IVAS and other paid services and applications using our virtual currency. We continue to introduce new value-added services such as nuomi.com, our social commerce website, which we launched in June 2010. We leveraged our existing user base to rapidly acquire new users for nuomi.com, which became a leading social commerce website in China for 2010, according to a report published in January 2011 by China e-Business Research Center.

Large Open Platform that Extends Our Reach

Our Renren Connect and Renren Open Platform programs enhance our user experience, extend the reach of our platform and enable Renren to become a central hub in China's dynamic internet ecosystem. We believe that through our Renren Open Platform program, we were the first internet platform in China to open our platform to third-party application developers through an open application programming interface, and currently offer

Table of Contents

approximately 1,000 applications from third-party developers that are integrated with our platform. We have a stringent process for approval and selection of these applications and generally focus on those applications that appeal most to our users. By offering a large number of quality third-party applications, we can increase user engagement and retention as well as grow our revenues.

Through our Renren Connect program, we allow our users to log on to third-party websites with their Renren identity. While logged in to our platform, users can connect with friends and post information and updates to their Renren profile from our Renren Connect partner websites, increasing the level of engagement for both Renren and our Renren Connect partner websites, which include docin.com, dianping.com and hudong.com. This extends our social graph beyond relationships between our users to include their relationships and interactions with websites and content outside of our own platform. By facilitating content finding and sharing among our users and increasing traffic for third-party websites, our Renren Connect program offers significant value to both our users and our Renren Connect partner websites.

Innovative and User-Oriented Culture

Our management team, particularly our founder, chairman and chief executive officer, Joseph Chen, and our executive director and chief operating officer, James Jian Liu, believe an innovative, user-centric and “geek” culture is key to our long-term success. In 1999, Mr. Chen co-founded ChinaRen, which was one of the first online college alumni clubs in the world and was later acquired by Sohu.com, a major internet portal in China. Mr. Liu has held management positions at innovators such as Fortinet and Siebel, and also co-founded UUMe.com, one of the earliest social networking service websites in China. We have leveraged a combination of internal training, incentives and events, such as our Geek Conference, to develop a corporate culture focused on speed of innovation, research and development, and the pursuit of excellence. Our culture has been developed to deliver the best possible experience to our users.

Our Strategies

Our goal is to continue to lead and define the internet social networking industry in China. We plan to achieve our goal by implementing the following key strategies:

Focus on Long-Term Success

We have operated and intend to continue to operate our business with a long time horizon in mind. The Chinese internet sector is a rapidly evolving and highly competitive market. Since we began operations in 2002, we have been focused on innovating our business model and user experience by continuously introducing and experimenting with new ideas, big and small. We believe that our market position today is the result of our culture of innovation and our focus on long-term defensible success, rather than short-term gains. We believe that innovation represents both the single greatest opportunity and threat to our business and we therefore intend to invest in our greatest long-term assets, namely our people and our “geek” culture.

Continually Enhance Our User Experience and Engagement

Offering our users what they need, want or have interest in is critical to our long-term success and enables us to attract more users, expand our social graph and increase the time our users spend on our platform. We intend to offer an increasing number of our applications and services across a broader range of internet-enabled devices. We recently launched Renren Mini Group, which enables users to share content and opinions within small groups based on shared interests. To stimulate user engagement, we plan to introduce a number of vertical social content offerings that we believe will create a valuable source of user-generated content. We also intend to further expand the number of our Renren Connect website partners, the usage of our Renren Connect program and the level of user engagement within our platform.

Table of Contents

Grow and Broaden Our User Base

We have substantial room to further increase our penetration rate among China's large and rapidly growing internet user base. We intend to further increase our penetration among China's young urban professionals, urban families, and middle school, high school and college students, who we believe are most likely to be attracted to our real name platform and will help us to attract an increasingly broad user demographic. We will continue to introduce features and functions to appeal to the various preferences among our different groups of users and prospective users. For example, we offer high school students more personalization features for their profile page on our platform than we offer our other user groups. We have also successfully utilized targeted brand advertising campaigns to promote our platform with new user groups and will continue to selectively do so in the future.

Leverage Our Platform and Brand to Increase Monetization

We intend to continue to leverage our large and connected attractive user base and the integrated nature of our platform to generate additional revenues. We plan to grow our advertising revenues by expanding our direct sales force, educating advertisers on the merits of advertising on our platform, improving targeting features, introducing new advertising formats and increasing our advertising rates. For example, we recently introduced a self-service advertising solution that enables us to target small and medium-sized enterprises, which are typically represented by SME-focused advertising agencies. We also intend to extend our advertising solutions to include Renren Connect partner websites and generate revenues from mobile advertising by working with many of our existing advertising partners.

For our online games and other paid value added services, we intend to increase the number of paying users as well as increase revenues per user by introducing new applications and services as well as promoting them to our users. For example, we intend to launch nuomi.com in additional cities as well as invest in additional sales headcount and technology that will allow us to reach more merchants and offer more targeted deals to our loyal user base.

Grow Mobile Usage of Our Platform

Internet-enabled devices allow our users to access our platform anytime and in any place with a mobile internet connection. As a result our mobile platform has experienced rapid usage growth within the relatively short period since its launch. However, we believe there is substantial room for further growth as usage of mobile internet-enabled devices increases in China and network speed and quality improves. We intend to increase the installed base and usage of our mobile client applications by partnering directly with mobile carriers, handset manufacturers, third-party mobile application stores as well as promoting direct download of our client applications. In addition, we intend to introduce more mobile games and a mobile location-based version of nuomi.com, which in addition to increasing our mobile usage, also present opportunities to grow our revenues. We also recently introduced Renren Check-In, which allows users to share their location and post comments regarding venues.

Pursue Strategic Alliances and Partnerships

We intend to continue to grow our user base and improve our user experience by selectively partnering with, investing in or acquiring other companies that bring us complementary or new users, technologies or services. For example, a core part of our long-term strategy is to continue to grow the number of website partners and application developers participating in our Renren Connect and Renren Open Platform programs.

Our Platform for Users

We operate the leading real name social networking internet platform in China as measured by total page views and total user time spent on social networking websites in February 2011. Based on data issued in March

Table of Contents

2011 by iResearch, in February 2011, we had 2.3 times as many monthly total page views as our closest competitor. As a pioneer in social networking in China, we have focused on providing a highly engaging and interactive platform that promotes connectivity, communication and sharing among our users using their actual identities as opposed to virtual identities. Our innovative internet platform enables our users to connect and communicate with each other, share information and user-generated content, play online games, listen to music, shop for deals and enjoy a wide range of other features and services.

Since our inception, our user base has grown rapidly. As of December 31, 2008, December 31, 2009 and December 31, 2010, the cumulative total of our activated users was approximately 33 million, 83 million and 110 million, respectively. As of March 31, 2011, we had approximately 117 million activated users. From January 2011 through March 2011, we added an average of approximately two million new activated users per month. In December 2008, December 2009 and December 2010, the number of our monthly unique log-in users was approximately 17 million, 22 million and 26 million, respectively. In March 2011, we had approximately 31 million monthly unique log-in users. We believe our users are attracted to our large and highly engaged real name community, broad range of communication tools, information and content sharing features, online games and other applications as well as newly added services such as nuomi.com, which became a leading social commerce website in China for 2010, according to a report published in January 2011 by China e-Business Research Center.

Our platform creates a user experience that is an extension of real-life relationships, and we believe this type of interaction is the reason our users spent a monthly average of approximately seven hours using our platform from January 2011 through March 2011. During the same period, our users collectively produced a daily average of approximately 40 million pieces of user-generated content, including approximately three million photos and 13 million status updates. As of March 31, 2011, approximately 2.9 billion photos, 249 million blogs and 20.8 billion comments or reviews were available on our platform. We believe that we have already reached a critical mass in terms of our number of active users and the quality and quantity of connections and interactions among them on our platform, and that this critical mass would be difficult for a competitor in China to achieve in the presence of our already robust community. We also believe that the real name nature of our platform helps us retain users, because once a user has spent time on our platform establishing connections with friends and posting photos and other content, it is time-consuming to restart this process on another SNS site and would require such user's friends to migrate to the new site as well.

Our user base consists largely of Chinese college students, young urban professionals, and high school students. Our users are generally well-educated, and we believe our users include a substantial majority of all current college students and recent college graduates in China. We are currently striving to expand our user base among white-collar workers in their late 20s and early 30s as well as high school students.

Our SNS platform is accessible from internet-enabled devices, including PCs and mobile phones, so that users can access our platform anytime from anywhere they are connected to the internet. We offer versions of our sites and client applications that have been optimized for a range of mobile phone operating systems, including for the iPhone, Android and Symbian. The number of our unique mobile log-in users as a percentage of our total unique log-in users increased from 23.0% in March 2010 to 30.0% in March 2011, and the number of monthly unique smartphone users who accessed Renren's mobile applications was approximately 0.5 million, 1.4 million and 3.1 million in September 2010, December 2010 and March 2011, respectively. We have also developed Renren Check-In for mobile devices, which enables our users to share their location information with friends.

In order to protect our users and the real name nature of our platform, we have a team dedicated to identifying and deleting accounts that contain false information or that are used for inappropriate activities, such as spamming. We also encourage users to provide a real photo of themselves and other real information by awarding expanded platform privileges to them if they provide such information. In addition, the privacy of our users is of the utmost importance to us. Our privacy committee has introduced comprehensive policies for our platform and our third-party partners, and implemented detailed user-determined privacy settings. Our privacy policy calls for strict management and protection of information provided by users, and does not permit

Table of Contents

disclosure of users' personal information to unrelated third parties, except when users have consented to such disclosure through the privacy settings on their user accounts. Users can also see who has viewed their profiles.

Communication, Content Creation and Sharing

We help users communicate and stay connected with their friends, classmates, family members and co-workers. Users begin by creating a free account and a personal profile with their name, photos, information about schools and universities attended, employment information, current location, age, lists of interests and other personal data. After creating their initial profile, users can then search other users' profiles to find and establish connections with existing and old friends using our social network and find new friends to further develop their social graph. Our users can then easily communicate and connect with friends using many different tools and functions, including status updates, photo sharing and commenting, chatting, instant messaging, onsite email and mini-groups. In addition, functions such as our news feed, Renren Like and Renren Share as well as our Renren Connect program make it easy for users to share status updates, blogs, photos and content that they recommend to friends.

By providing content and applications that are attractive to Chinese internet users, we have been able to strengthen our user base and increase user engagement and retention. Our key avenues for providing appealing applications and other content include the following:

Content created by users Users are interested in seeing and hearing about their friends' lives, activities and thoughts, which users can share with each other through status updates, blogs, photos and other content. Sharing and viewing each other's user-generated content helps friends stay in closer touch.

Content shared among users Third-party blogs, links, photos, video and other content are attractive to users when sent from or shared by their real world friends, as users trust their friends' recommendations and enjoy sharing thoughts and comments about the content they share. In this way, sharing and viewing third-party content also helps friends stay in closer touch. We offer a number of functions to help our users share third-party content easily. For example, users can share content from a third-party website, such as videos on youku.com, by clicking on Renren Share and then entering their Renren log-in information. Renren Like and our Renren Connect program also help users share third-party content.

Renren Connect program This program allows our users to log on to over 600 Renren Connect partner websites using their Renren identity. While logged in to our platform, users can connect with friends and post information and updates to their Renren profile, increasing the level of engagement for both Renren and our Renren Connect partner websites, which include docin.com, dianping.com, and hudong.com. This extends our social graph beyond relationships between our users to include their relationships and interactions with websites and content outside of our own platform. By facilitating content finding and sharing among our users and increasing traffic for third-party websites, our Renren Connect program offers significant value to both our users and our Renren Connect partner websites.

Renren Open Platform program We maintain one of the first and largest open application programming interface programs in China for the delivery and consumption of third-party applications. Since we launched our Renren Open Platform program in late 2008, we have received over 100,000 application submissions from third parties, and we have approved over 1,000 of these applications. Some of the most popular applications on our Renren Open Platform program include social games, such as Little War and Building One, as well as non-game applications, the most popular of which typically relate to lifestyle topics, daily horoscopes and personality tests. We review and approve third-party applications before making them available on our Renren Open Platform program. We also use a variety of algorithms to measure the popularity of applications among users that have tried them, and we make popular applications more prominent on our platform.

Table of Contents

By rapidly introducing new services and features that appeal to our users, whether developed internally or by third parties, we are able to maintain and increase our number of active users and their level of engagement. Of the many services and features available to our users free of charge, some of our newest and/or most innovative include:

Renren Desktop This software, which can be downloaded by users, displays real time news feeds, notifications, reminders and other interactive content to users while they are logged on to our platform. Our news feeds provide users with updates and information that is likely to interest them, such as a friend's online actions or newly shared content. We believe that we are the only major SNS website in the world to offer all of these features in real time.

Social Q&A This function allows users to use the collective knowledge of friends and other users as a resource in making decisions about certain kinds of products and services. For example, we recently introduced chewen.com, which enables users considering an automobile purchase to share their interests, concerns and questions with their friends, and receive comments or other feedback from friends or other users. When users post questions or information, their friends can see these actions through the news feed function and can respond. Users can also choose to follow topics and people so that they receive updates when content is posted by any user regarding a certain automobile model, a certain question about automobiles, or when content is posted by a certain expert.

jingwei.com We recently launched a professional and business social networking website.

Renren Like This function allows users to easily share interesting content with their friends. When a user clicks the Like button on one of our Renren Connect partner websites, a link appears in the user's friends' news feeds.

Renren Check-in This location-based service allows users to use their mobile devices to share their location information with friends, thereby increasing interactivity and opportunities for users to meet friends in their vicinity.

Mini Group This function allows users to share information, content and opinions within small groups that are formed based on shared interests.

We also develop new services and features to increase the size of our user base in other demographic groups for whom we aim to make our platform more attractive. For example, we have developed tools for users to decorate and customize their profile page on our platform, which is particularly appealing to high school students. In addition, we believe jingwei.com, our professional- and recruitment-focused social networking website, which helps users find jobs and professional contacts, and nuomi.com, our social commerce services, which helps users find good deals on quality products, services and events, are both strongly appealing to white-collar workers in their late 20s and early 30s.

Entertainment

Our platform offers music, online games and other entertainment features, which make the user experience more fun and enjoyable, encourage users to spend more time on our platform and increase user loyalty.

Online games

We operate one of the leading web-based game platforms in China and are one of the leading web-based game developers in China, based on data issued in October 2010 by iResearch for the third quarter of 2010. Web-based games are games that can be played directly from the user's internet browser without downloading additional software. We believe we developed and launched one of the first web-based role-playing games in the world, Pet Mop, in early 2007, which has won many awards, including China's Most Valuable Web Game in 2008. We subsequently developed, and launched in late 2008, one of the first web-based MMORPGs in the world, Tianshu Qitan. While our focus has been on web-based games, we also offer client-end games. Client-end

Table of Contents

games require users to install game software on their computers. We have offered 3D client-end games since 2008.

Games on our platform have a variety of themes, cultural characteristics and features that appeal to different segments of the game player community, including social games. Social games are developed to be enjoyed, shared and played among friends, are easier to play, and generally can be played to conclusion within a relatively short period of time. Renren Restaurant, which we developed internally, was the first 3D social game in China.

Our platform offers games that we develop internally, games licensed from third parties, and games developed by third parties that are made available through our Renren Open Platform program. We have strong internal technology and creative game design capabilities and, as one of the leading game platforms in China, we are able to closely monitor changing customer preferences and market trends in the online game market, which enables us to frequently and promptly introduce popular games. By offering games from third-party developers, we are able to enhance the portfolio of games available to users on our platform.

We use a virtual item-based revenue model for our games, under which players can play games for free, but they are charged for optional purchases of virtual in-game items, such as items that improve the strength of game character, in-game accessories and pets. In most cases, users that wish to obtain such items immediately can do so by paying a fee.

Our platform provides users with easy access to our games, and our social networking users form the majority of the user base for our games. In addition, access to web-based games, which require few steps to begin playing and are usually preferred by casual game players, is further simplified for users who are already logged on to our platform, as they do not need to log on to a separate game site in order to begin playing a game.

Music

According to the CNNIC 2011 Report, listening to music ranked as the second most popular online activity during 2010 among internet users surveyed in China. While logged in to our platform, users can listen to streamed music for free using our Renren Music function. Users can also create and share their own personal playlists and radio stations, discover new music by listening to songs that their friends frequently listen to or recommend, and receive news feeds showing the recent activities of friends on Renren Music and user-selected artists. We have entered into license agreements with mainstream Chinese and global music labels for the right to stream the music available on Renren Music. We are one of the few major SNS sites in the world to offer streaming music.

Other third party applications

Our Renren Open Platform program provides users access to high quality free applications, the most popular of which typically relate to lifestyles topics, daily horoscopes and personality tests.

Social Commerce Services

Our nuomi.com website offers localized social commerce services to individuals who have signed up for our Nuomi services, or Nuomi users, in specific locations or regions. Our social commerce offers are for high quality products, services and events offered by our merchant partners. Entertainment, dining, health and beauty products make up the majority of our social commerce deals. Nuomi users can access nuomi.com from internet-enabled devices, including PCs and mobile phones. We partner with merchants to make special offers through our website for products or services offered by the merchant. These special offers are contingent upon a minimum number of buyers subscribing for the offer.

We launched our social commerce services in June 2010 in Beijing and have since expanded rapidly to a total of 32 major cities and municipalities in China as of March 31, 2011. We intend to offer social commerce

Table of Contents

services in more cities in China in the near future. The daily deals usually offer significant discounts that Nuomi has negotiated with local merchants. A daily deal becomes live when enough Nuomi users sign up for the particular deal. The threshold participation requirement encourages Nuomi users to frequently participate and to ask friends to sign up for our Nuomi services and a particular daily deal, which increases both our Nuomi user base and the sales generated by the website. Nuomi users are also encouraged to sign up friends through referral credits awarded when they refer first-time Nuomi users who make a purchase within a specified period of time.

Our first social commerce deal, on June 23, 2010, offered a pair of movie tickets at 23% of face value for Jackie Chan Movie Theatres, a new, premium movie theater in Beijing. In one day, Nuomi users purchased over 150,000 pairs of movie tickets for Jackie Chan Movie Theatres.

As of September 30, 2010, December 31, 2010 and March 31, 2011, the aggregate number of our paying users was approximately 520,000, 700,000 and 1,342,000, respectively, and the number of our total units sold was approximately 0.8 million, 2.1 million and 4.7 million, respectively.

Our SNS platform provides users with easy access to our social commerce services, and provides our social commerce services a large user base with minimal customer acquisition costs. Additionally, our users share and communicate these deals with friends, causing the reach of the deals to expand rapidly through the internet.

Other Services

We monetize our platform and user base through VIP memberships and virtual gifts, in addition to online advertising and social commerce services. VIP memberships provide users with benefits such as larger size limits on photo albums and email inboxes and other additional features and benefits. Virtual gifts, such as cartoon images, flashes, birthday cards and gift cards containing our virtual currency, can be sent by users to friends. Some virtual gifts are free and others must be purchased.

Payment Methods and Systems

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

Online sales Users can purchase the virtual currency directly on the Renren platform through third-party online payment systems using bank cards and mobile and SMS payments, among other methods. In cooperation with third-party payment service providers such as Alipay and Yeepay, we provide high quality and reliable online payment services to users.

Offline distribution Users can purchase physical prepaid cards redeemable for our virtual currency from retail points across China, which primarily consist of news stands, convenience stores and internet cafés.

Some of our paid services, such as virtual in-game items for games, can also be purchased online directly without using our virtual currency.

Discontinued Services

We have discontinued a number of services that we previously offered.

WVAS. We provided wireless value-added services to mobile phone users, including a short messaging service, multimedia messaging service, wireless application protocol, coloring ring back tone and interactive voice response. In late 2008, due to regulatory changes to the WVAS operating environment in China, we decided to exit our WVAS services. We discontinued a majority of our WVAS services in 2009 and the remaining WVAS services in 2010.

Table of Contents

Mop.com. We operated Mop.com, an internet community site for the China market, through contractual arrangements and an affiliated entity. Mop.com's site includes forums, news, entertainment, and some social networking features. Mop.com is different from renren.com in that it is not a real name platform and its users focus more on viewing content rather than interacting and sharing with friends. In order to focus on our SNS platform and social commerce services, we sold all of our equity interests in Mop.com in December 2010 to Oak Pacific Holdings, a company owned by some of our shareholders. See *Related Party Transactions* *Disposal of Mop.com and Gummy Inc.*

Gummy Inc. We operated www.gummy.jp, a social games platform for the Japanese market, through a wholly owned Japanese subsidiary, Gummy Inc. In order to focus on our SNS platform and social commerce services in China, we sold all of our equity interests in Gummy Inc. in December 2010 to Oak Pacific Holdings, a company owned by some of our shareholders. See *Related Party Transactions* *Disposal of Mop.com and Gummy Inc.*

Services for Advertisers

Leveraging our large and fast growing user base, the real name characteristics of our SNS platform and our advertising targeting capabilities, we serve an increasingly broad base of advertisers with a wide range of advertising formats and solutions.

Our Advertisers and Customers

Our online advertising serves a broad base of advertisers, including leading international companies, such as Coca-Cola and Nike, and leading companies in China, such as Meng Niu Dairy and China Merchants Bank, and we recently began serving small- and medium-sized enterprises. In 2008, 2009 and 2010, the number of our advertisers was 139, 224 and 248, respectively, and the average annual spending by our advertisers was approximately US\$49,000, US\$82,000 and US\$129,000, respectively. Our advertisers operate in a variety of industries, including food and beverage, apparel and accessories, information technology hardware, personal care products, mobile phones, automobile manufacturing and consumer electronics. Our online advertising service team has direct contacts with our advertisers, a vast majority of whom purchase our online advertising services through third-party advertising agencies.

Our nuomi.com website serves local merchants or event organizers which typically have small advertising budgets and wish to target their advertisements to a limited geographic region.

Our online advertisers offer high quality products and services and hope to reach market influencing demographics with the ability and motivation to pay for these products and services. Some of our advertisers target current college students, which make up a large portion of our user base, because consumers' college years are an important time for establishing brand perceptions and preferences.

Online Advertising Services

We offer a broad range of advertising formats and solutions, including display advertising, social ads, promoted news feeds, fan or brand page advertising, in-game advertising and other formats such as sponsored online events and virtual gifts.

Table of Contents

Our SNS platform has significant advantages due to our diverse and unique advertising formats and our targeting capabilities, which benefit from the real name nature of our SNS platform and the data we possess regarding users and their preferences. For display advertising, social ads and promoted news feed items, we have the capability to more efficiently target and reach users meeting certain geographic and demographic criteria, such as users with a certain educational background, a certain life stage (for example, students or white collar workers) and/or residence in a certain geographic region.

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

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

Promoted news feeds Our promoted news feeds display news, events and promotions regarding an advertiser or its brand to users who have agreed to accept content from the advertiser or brand, in the form of text, text plus graphic, or text plus user-initiated video in the user's news feed stream, which can be further shared among their friends. Advertisers can also select demographic and geographic criteria for their promoted news feeds.

Fan or brand page advertising Advertisers can create a page within our platform that users can choose to join. The page builds an advertiser's base of fans, and the advertiser can use the page and its fan base as a long-term community where the advertiser can constantly communicate with, educate and engage its target consumers by publishing content in diverse formats, promoting new products, and holding online events to continue to grow the fan base.

In-game advertising Our platform offers social games that can be embedded with brand and product placements. If the storyline or message of certain content is relevant to a brand or product's marketing initiatives, a product placement can have strong branding and call-to-action effects on viewers and game players.

Sponsored online events and virtual gifts Other forms of advertisements include sponsored online events or gifts that allow advertisers to sponsor a particular area on our websites or particular virtual gifts.

The social attributes of our promoted news feeds, social ads and fan or brand pages allow advertisers to earn users' organic word-of-mouth impressions, clicks and engagement through users' further sharing and spreading of information among their friends.

Brand advertisers are increasingly seeking the ability to track and measure advertisement performance and their return on investment. We have invested in internal and external market research capabilities to strengthen our platform's ability to track and measure advertisement performance.

Social Commerce Services

Our social commerce services allow merchants to target a local market and benefit from word-of-mouth advertising through, for example, a user's news feed notifying a user when his or her friends sign up for a social

Table of Contents

commerce deal. In addition, users have an incentive to actively encourage their friends to join the social commerce deal in order to reach the threshold that will make the deal effective. If a deal were to fail to become live because the number of Nuomi users that signed up for the deal did not meet its threshold requirement, the offer would be retracted and the advertiser would incur no costs for the deal. However, to date we have never had a deal fail to meet its threshold requirement.

We receive commissions from merchant partners on the payments collected, although these commissions to date have been small due to the competition in the social commerce services market.

Sales and Marketing

Advertising Sales

As is customary in China, we sell our online advertising services and solutions primarily through third-party advertising agencies that represent end-advertisers. As social networking websites become increasingly popular and sought after by advertisers, we are able to cultivate and strengthen our relationships with end-advertisers by sharing our understanding of the evolving social networking industry and related online advertising services and solutions. As a relatively young company in the online advertising sector, we also intend to leverage advertising agencies' existing client relationships and network resources to increase our sales and expand our advertiser base.

We rely primarily on our direct sales force for our social commerce services, which are directed at local merchants or event organizers seeking to target customers in a specific city or region. Advertising agencies in China currently do not generally cover social commerce services such as those offered by Nuomi.

In order to further promote our brand awareness among existing and potential customers of all types and to educate them about how they can more effectively and efficiently reach their targeted consumers through our SNS platform, we market our services and solutions through direct marketing, by hosting or attending public relations events such as trade marketing events, and through other marketing activities.

As of December 31, 2010, we had 222 sales representatives and supporting personnel for online advertising services. Our sales force for online advertising services is organized by industry and provides a broad range of services and solutions. In addition to building and maintaining customer relationships, our sales force assists advertisers in structuring advertising campaigns by analyzing the advertisers' target audiences and marketing objectives. As of December 31, 2010, we had 144 sales representatives and supporting personnel for our nuomi.com social commerce services. Our sales force for Nuomi is organized by the regions in which we offer social commerce services. The Nuomi sales team works directly with current and prospective customers to secure high quality social commerce deals for each day in each Nuomi location.

The compensation for our salespeople includes incentives based on the sales revenues they achieve. We provide regular in-house and external education and training to our sales team to help them provide current and prospective advertisers with comprehensive information about our services and the advantages of using our advertising solutions. Our performance-linked compensation structure and career-oriented training help motivate our salespeople.

Marketing and Brand Promotion

We believe brand recognition is important to our ability to attract users. We have engaged in both online and offline marketing activities to promote our Renren and Nuomi brands. To date, user recognition of our Renren and Nuomi brands has primarily grown virally, and we have built our Renren brand, and especially our Nuomi brand, with only modest marketing and brand promotion expenditures.

To facilitate such viral growth, we focus on continuously improving the quality of our services, as we believe satisfied users and their friends are more likely to recommend our services to others, making it difficult to replicate our success.

Table of Contents

We have a marketing team that initiates various marketing activities. For example, we market our services through media partnerships, co-branding campaigns with multinational brands, sponsorship of cultural events such as music festivals, and our public relations team, which informs various news media when we launch new services or reach other milestones. In addition, in 2009, we significantly increased our marketing activities on a temporary basis in order to publicize our rebranding of Xiaonei to Renren through television advertisements and other advertising formats.

Technology and Infrastructure

We believe our technology and infrastructure are critical to delivering fast, reliable services to our users and advertisers.

Architecture

Our technology architecture has been designed for reliability, flexibility and scalability to support growth in our user base. We rely primarily on a network of over 5,500 self-owned servers, which are primarily located in Tianjin and Beijing, in facilities owned by major domestic internet data center providers. We also use content delivery network providers, but our self-owned servers form the core of our network, as they are better suited to the dynamic nature of our SNS platform.

Our data storage system allows for fast access to a large number of photos and other user-generated content even when there is heavy traffic accessing our website. We have built in a load balancing mechanism, which allows heavy traffic on our website to be redistributed to different servers based on the processing capability of each server to minimize our users' waiting time. Further, our file storage system is optimized to handle small files, fragmented small file retrieval and remote backup. The number of files in our data storage system grows at a rate of 10 to 20 million per day.

In order to improve the performance of web pages on our platform, we have developed a distributed memcaching and computation system based on Internet Communication Engine as the middle tier of the multi-tiered architecture of our renren.com website. Memcache is a memory caching system that is used to speed up dynamic database-driven websites, like renren.com, by caching data to reduce reading time. Memcache is our primary form of caching and it helps our database load to be processed more efficiently. Our caching system allows renren.com to access user data more quickly, as user data can be accessed from the cache based on a user's identity instead of from the database, which requires more time.

We use a number of measures to protect against failure and data loss, including synchronization between data centers at different geographic locations, regular off-line backup, permanent storage on hard disks, redundancy and load balancing.

We have teams of employees dedicated to systems analysis, network topology, and maintaining our servers at the internet data centers of our various providers and the connections among our servers.

Social graphs and targeted advertisements

Our targeted advertisement technology automatically matches advertisements with targeted users based on their demographic and geographic profiles. We are developing technology to automatically match our customers' advertisements with targeted users based on users' social graphs and their activities on our SNS platform.

We also use a number of algorithms to produce other results from the data available to us, such as automatic friend grouping and user clustering, and identifying news feeds that are likely to interest particular users.

Table of Contents

Anti-spamming and other filtering systems

In order to identify spamming, pornography and otherwise prohibited content, we can process media in a variety of formats, including text and pictures, with algorithms such as Natural Language Processing, File Categorization, Optical Character Recognition and Graphical Pattern Recognition. We can then automatically remove from our platform content that we identify as spam, pornography or otherwise prohibited.

Research and Development

Our research and development efforts focus on developing and improving the scalability, features and functions of our platform. We believe research and development has been and will continue to be a key competitive advantage and driver of our long-term growth. We have a large team of experienced engineers and developers, which accounted for over 60% of our employees as of December 31, 2010. We hire our product engineering and development employees primarily from the best engineering and science universities in China. Substantially all of our engineers and developers are based at our headquarters in Beijing.

Our research and development personnel are divided into the following groups:

our core platform technology and research group focuses on the evolution and optimization of core SNS related algorithms that increase efficiencies of communication, notification, and social interactions on Renren;

our online game and social game group focuses on designing and developing innovative games that are suitable for distribution over our social networking platform;

our user-generated content services group focuses on maintaining and developing new features relating to our core communication and user-generated content services, such as photos, status updates and sharing;

our mobile service and technology group focuses on updating and developing new features for the WAP version of our service as well as our various mobile applications across multiple mobile phone operating systems such as iPhone, Android, and Symbian;

our desktop group focuses on maintaining our Renren Desktop client application; and

our advertising platform group focuses on developing ad-serving and ad-targeting technology to increase returns from our display and self-service advertising clients.

We take pride in our technology-focused corporate culture, particularly among our engineers and developers, and actively promote our culture for innovation and professionalism through initiatives such as our Geek Conference and other events. We believe our corporate culture is key to the speed and creativity of our innovation and the continual improvement in our functions and features.

Intellectual Property

Our intellectual property includes trademarks and trademark applications related to our brands and services, copyrights in software and games, trade secrets, patent applications and other intellectual property rights and licenses. We seek to protect our intellectual property assets and brand through a combination of monitoring and enforcement of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and procedures.

renren is a registered trademark in China. We have also applied to register additional trademarks and logos, including a new version of renren , , and , with the Trademark Office of the SAIC in China. We have applied for patents relating to our technologies, among which we have been granted a patent for systems and methods for accelerating content downloads. We have registered domain names including renren.com, nuomi.com, xiaonei.com, jingwei.com and chewen.com. In addition, we maintain 25

Table of Contents

software copyright registrations, including those in connection with our games. We own the copyrights to the games we have developed. Our employees sign confidentiality and non-compete agreements when hired.

Competition

The internet industry in China is rapidly evolving and highly competitive. We face significant competition in almost every aspect of our business, particularly from companies that provide social networking, internet communication, online games, search functions and/or other products and services, such as Tencent, Inc., kaixin001.com and SINA Corporation, and from social commerce service providers, such as meituan.com, lashou.com and dianping.com. We also compete for online advertising revenues with other websites that sell online advertising services in China. In addition, we indirectly compete for advertising budgets with traditional advertising media in China, such as television and radio stations, newspapers and magazines, and major out-of-home media.

We may also face potential competition from global social networking service providers that seek to enter the China market. We believe that PRC domestic social networking websites, including us, are likely to have a competitive advantage over international competitors entering the China market, as these companies, so far, are likely to lack operational infrastructure in China and content localization experience for the China market, and the websites of some global social networking service providers, such as Facebook, are currently not accessible in the PRC.

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

We compete for users and user engagement primarily on the basis of helping users communicate, share and have fun on our platform as a result of quality and innovation in our user-facing products, as well as brand name and recognition, and quality of user-generated content.

Employees

We had 1,570 employees as of December 31, 2010, including 124 in management and administration, 409 in sales and marketing, 108 in operations and 929 in research and development. We have developed a strong corporate culture that encourages innovation, technical superiority and providing the best experience to our users and customers.

Facilities

Our principal executive offices are located on premises comprising 16,838 square meters in Beijing, China. We also have branches in Shanghai, Guangzhou and Wuhan, and representative offices for our social commerce services in seven additional cities and municipalities in China. We lease our premises from unrelated third parties under non-cancelable operating lease agreements. Some of the lessors of our leased premises do not have valid title to such premises or proper authorization from the title owner to sublease such premises. For further details, see **Risk Factors** **Risks Related to Our Business and Industry**. The leasehold interests of some of our consolidated affiliated entities might not be fully protected by the terms of the relevant lease agreements due to defects in or the landlord's failure to provide certain title documents with respect to some of our leased properties. Our leases typically have terms of one or two years, substantially all of which are due to expire during 2011. We plan to renew our leases before they expire.

Table of Contents

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

Legal Proceedings

From time to time, we have become and may in the future become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property claims, breach of contract claims, labor and employment claims and other matters. Internet media companies are frequently involved in litigation based on allegations of infringement or other violations of intellectual property rights and other allegations based on the content available on their website or services they provide. See Risk Factors Risks Relating to Our Business and Our Industry We have been and may continue to be exposed to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to our websites, or distributed to website users, which could materially and adversely affect our business and results of operations. Although such proceedings are inherently uncertain and their results cannot be predicted with certainty, we believe that the resolution of our current pending matters will not have a material adverse effect on our business, consolidated financial position, results of operations or cash flow. Regardless of the outcome, however, any litigation can have an adverse impact on us because of defense costs, diversion of management's attention and other factors. In addition, it is possible that an unfavorable resolution of one or more legal or administrative proceedings, whether in the PRC or in another jurisdiction, could materially and adversely affect our financial position, results of operations or cash flows in a particular period or damage our reputation.

In 2009, kaixin001.com, one of our competitors, filed a lawsuit in the Beijing Second Intermediate People's Court for unfair competition against our consolidated affiliated entities, including Qianxiang Wangjing for operating a website with the domain name kaixin.com. The remedies sought by kaixin001.com included (i) that we cease use of (kaixin wang) and other similar Chinese names on our websites, (ii) that we cease use of the domain name kaixin.com, (iii) damages of RMB10 million (US\$1.5 million), (iv) a public apology and (v) that we bear all associated litigation fees and costs.

Before a judgment on this case was rendered we had integrated our kaixin.com interface with our larger renren.com website and, as a result, our use of the domain name kaixin.com was no longer necessary for our operations. In October 2010, the Beijing Second Intermediate People's Court rendered a judgment confirming that we are the legitimate owner of the kaixin.com domain name but ordering us to cease the use of or any similar Chinese names for any social networking services we provide and pay damages of RMB400,000 (US\$60,000) to kaixin001.com. Kaixin001.com appealed the ruling of the Beijing Second Intermediate People's Court to the Beijing Higher People's Court. In April 2011, the Beijing Higher People's Court issued its final judgment, which upheld the ruling by the Beijing Second Intermediate People's Court.

Table of Contents

REGULATION

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

Regulations on Value-Added Telecommunications Services

On September 25, 2000, the State Council promulgated the Telecommunications Regulations, or the Telecom Regulations. The Telecom Regulations draw a distinction between basic telecommunication services and value-added telecommunication services. Internet content provision services, or ICP services, is a subcategory of value-added telecommunications services. Under the Telecom Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the MIIT or its provincial level counterparts.

On September 25, 2000, the State Council issued the Administrative Measures on Internet Information Services, or the Internet Measures, which in particular regulate ICP services. According to the Internet Measures, commercial ICP service operators must obtain an ICP license from the relevant government authorities before engaging in any commercial ICP operations within the PRC. In November 2000, the MIIT promulgated the Administrative Measures on Internet Electronic Messaging Services, or the BBS Measures, which requires the operator to obtain a special BBS Permit from the local bureau of MIIT prior to engaging in BBS services. BBS services include electronic bulletin boards, electronic forums, message boards and chat rooms.

On December 26, 2001, the MIIT promulgated the Administrative Measures on Telecommunications Business Operating Licenses, or the Telecom License Measures. On March 5, 2009, the MIIT issued revised Telecom License Measures, which took effect on April 10, 2009. The Telecom License Measures set forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. For example, an information services operator providing value-added services in multiple provinces is required to obtain an inter-regional license, whereas an information services operator providing the same services in one province is required to obtain a local license.

On April 19, 2004, the MIIT issued a notice stating that mobile network carriers can only provide mobile network access to those mobile internet service providers that have obtained licenses from the MIIT before conducting operations, and that such carriers must terminate mobile network access for those providers who have not secured the required licenses.

To comply with these PRC laws and regulations, our information services operator, Qianxiang Tiancheng, holds a value-added telecommunications business operating license and an ICP license, and our ICP operators Qianxiang Wangjing and Beijing Nuomi hold ICP licenses. Moreover, Qianxiang Tiancheng, Qianxiang Wangjing and Beijing Nuomi all possess BBS Permits issued by the local bureau of the MIIT.

Restrictions on Foreign Ownership in Value-Added Telecommunications Services

According to the Provisions on Administration of Foreign Invested Telecommunications Enterprises, or the FITE Provisions, promulgated by the State Council on December 11, 2001 and amended on September 10, 2008, the ultimate foreign equity ownership in a value-added telecommunications service provider must not exceed 50%. Moreover, for a foreign investor to acquire any equity interest in a value-added telecommunications business in China, it must demonstrate a good track record and experience in operating value-added telecommunications services. Foreign investors that meet these requirements must obtain approvals from the MIIT and the Ministry of Commerce or their authorized local branches, and the relevant approval application process usually takes six to nine months. Due to the limitation of foreign investment in value-added telecommunications services companies that conduct online culture activities, we would be prohibited from

Table of Contents

acquiring any equity interest in our PRC domestic companies without diverting management attention and resources. In addition, we believe that our contractual arrangements with our PRC domestic companies and their respective individual/entity shareholders provide us with sufficient and effective control over our PRC domestic companies. Accordingly, we currently do not plan to acquire any equity interest in our PRC domestic companies.

On July 13, 2006, the MIIT issued the Notice of the MIIT on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services, or the MIIT Notice. This notice prohibits domestic telecommunication services providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China. According to this notice, either the holder of a value-added telecommunication business operating license or its shareholders must legally own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice further requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with the requirements in the notice and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holders, including revoking their value-added telecommunications business operating licenses.

To comply with these PRC regulations, we operate our websites through our PRC domestic companies, i.e., Qianxiang Tiancheng, Qianxiang Wangjing and Beijing Nuomi. Qianxiang Tiancheng is currently 99% owned by Ms. Jing Yang and 1% owned by Mr. James Jian Liu, both of whom are PRC citizens. Qianxiang Tiancheng holds a value-added telecommunications business operating license, an ICP license and a BBS Permit. Qianxiang Wangjing and Beijing Nuomi are currently wholly owned by Qianxiang Tiancheng, and each holds an ICP license and a BBS Permit.

If, despite these precautions, 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 websites, require us to restructure our operations, including possibly the establishment or restructuring of a foreign-invested telecommunication enterprise, re-application for the necessary licenses, or relocation of our businesses, staff and assets, impose additional conditions or requirements with which we may not be able to comply, or take other regulatory or enforcement actions against us. See Risk Factors Risks Related to Our Corporate Structure and the Regulation of Our Business If the PRC government finds that the agreements that establish the structure for operating our services in China do not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Regulations on Internet Content Services

National security considerations are an important factor in the regulation of internet content in China. The National People's Congress, the PRC's national legislature, has enacted laws with respect to maintaining the security of internet operations and internet content. According to these laws, as well as the Internet Measures, violators may be subject to penalties, including criminal sanctions, for internet content that:

opposes the fundamental principles stated in the PRC constitution;

compromises national security, divulges state secrets, subverts state power or damages national unity;

harms the dignity or interests of the state;

incites ethnic hatred or racial discrimination or damages inter-ethnic unity;

Table of Contents

undermines the PRC's religious policy or propagates heretical teachings or feudal superstitions;

disseminates rumors, disturbs social order or disrupts social stability;

disseminates obscenity or pornography, encourages gambling, violence, murder or fear or incites the commission of a crime;

insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or

is otherwise prohibited by law or administrative regulations.

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

To comply with these PRC laws and regulations, we have adopted internal procedures to monitor content displayed on our website, including a team of employees dedicated to screening and monitoring content uploaded on our website and removing inappropriate or infringing content. However, due to the large amount of user uploaded content, we may not be able to identify all videos, photos or other content that may violate relevant laws and regulations.

To the extent that PRC regulatory authorities find any content displayed on or through our websites objectionable, they may require us to limit or eliminate the dissemination or availability of such content on our websites or impose penalties, including the revocation of our operating licenses or the suspension or shutdown of our online operations. In addition, the costs of compliance with these regulations may increase as the volume of content and users on our website increases. See **Risk Factors** **Risks Related to Our Business and Industry** **Content posted or displayed on our websites may be found objectionable by PRC regulatory authorities and may subject us to penalties and other administrative actions.**

Regulations on Information Security and Censorship

Internet content in China is also regulated and restricted from a State security standpoint. The National People's Congress, China's national legislative body, enacted a law on December 28, 2000, as amended on August 28, 2009, that makes it unlawful to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak State secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights.

The Ministry of Public Security has promulgated measures on December 16, 1997 that prohibit the use of the internet in ways which, among other things, result in a leakage of State secrets or the distribution of socially destabilizing content. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC national defense, state affairs and other matters as determined by the PRC authorities.

On December 13, 2005, the Ministry of Public Security promulgated Provisions on Technological Measures for Internet Security Protection, or the Internet Protection Measures. The Internet Protection Measures require all ICP operators to keep records of certain information about its users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations. The ICP operators must regularly update information security and censorship systems for their websites with local public security authorities, and must also report any public dissemination of prohibited content. If an ICP operator violates these measures, the PRC government may revoke its ICP license and shut down its websites.

Table of Contents

In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking State secrets or failing to comply with the relevant legislation regarding the protection of State secrets.

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

If, despite the precautions, we fail to identify and prevent illegal or inappropriate content from being displayed on or through our websites, we may be subject to liability. In addition, these laws and regulations are subject to interpretation by the relevant authorities, and it may not be possible to determine in all cases the types of content that could result in liability. To the extent that PRC regulatory authorities find any content displayed on or through our websites objectionable, they may require us to limit or eliminate the dissemination or availability of such content or impose penalties, including the revocation of our operating licenses or the suspension or shutdown of our online operations. In addition, the costs of compliance with these regulations may increase as the volume of content and users on our website increases. See **Risk Factors** **Risks Related to Our Business and Industry**. Content posted or displayed on our websites may be found objectionable by PRC regulatory authorities and may subject us to penalties and other administrative actions.

Regulations on Internet Privacy

The PRC Constitution states that PRC law protects the freedom and privacy of communications of citizens and prohibits infringement of such rights. In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. The PRC law does not prohibit ICP operators from collecting and analyzing personal information from their users. However, the Internet Measures prohibit an ICP operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party. Pursuant to the BBS Measures, ICP operators that provide electronic messaging services must keep users' personal information confidential and must not disclose such personal information to any third party without the users' consent or unless required by law. The regulations further authorize the relevant telecommunications authorities to order ICP operators to rectify unauthorized disclosure. ICP operators are subject to legal liability if the unauthorized disclosure results in damages or losses to users. The PRC government, however, has the power and authority to order ICP operators to turn over personal information if an internet user posts any prohibited content or engages in illegal activities on the internet.

To comply with these laws and regulations, we require our users to accept a user term whereby they agree to provide certain personal information to us, and have established information security systems to protect users' privacy and have filed them with the MIIT or its local branch as required. However, due to the significant amount of content uploaded by users on a daily basis, we cannot ensure that no content uploaded by our users will infringe the privacy rights of any third party without receiving notice from such third party. If our ICP operators violate PRC laws in this regard, the MIIT or its local bureaus may impose penalties and the ICP operators may be