Use these links to rapidly review the document
Table of Contents
Index to consolidated financial statements

Table of Contents

As filed with the Securities and Exchange Commission on June 12, 2014

Registration No. 333-196221

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to

FORM F-1

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

XUNLEI LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Cayman Islands	**7370**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

4/F, Hans Innovation Mansion, North Ring Road
No. 9018 High-Tech Park, Nanshan District
Shenzhen, 518057
People's Republic of China
(86-755) 3391-2900
(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
(+1) 212-750-6474
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Z. Julie Gao, Esq.	**James C. Lin, Esq.**
Skadden, Arps, Slate, Meagher & Flom LLP	**Davis Polk & Wardwell LLP**
c/o 42/F, Edinburgh Tower	**c/o 18th Floor, The Hong Kong**
The Landmark	**Club Building**
15 Queen's Road Central	**3A Chater Road**
Hong Kong	**Hong Kong**
(852) 3740-4700	**(852) 2533-3300**

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. o

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. o _____

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. o _____

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. o _____

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Amount to be registered(2)(3)**	**Proposed maximum offering price per share**	**Proposed maximum aggregate offering price(2)(3)**	**Amount of registration fee**
Common shares, par value US$0.00025 per share(1)	42,061,250	US$2.20	US$92,534,750	US$11,918(4)

(1) American depositary shares issuable upon the deposit of the common shares registered hereby will be registered under a separate registration statement on Form F-6 (Registration No. 333-196699). Each American depositary share represents five common shares.

(2) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(a) under the Securities Act of 1933.

(3) Includes 5,486,250 common shares that may be purchased by the underwriters pursuant to an over-allotment option. Also includes common 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 common shares are not being registered for the purpose of sales outside the United States.

(4) 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. These securities may not be sold 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 it is not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Dated June 12, 2014

7,315,000 American Depositary Shares

Xunlei Limited

Representing 36,575,000 common shares

This is an initial public offering of American Depositary Shares, or ADSs, of Xunlei Limited, or Xunlei. We are offering 7,315,000 ADSs. Each ADS represents five common shares, par value US$0.00025 per share. We anticipate the initial public offering price of the ADSs will be between US$9.00 and US$11.00 per ADS.

We intend to apply for listing of our ADSs on the NASDAQ Global Market under the symbol "XNET."

We are an "emerging growth company" under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements.

	Per ADS	Total
Initial public offering price	US$	US$
Underwriting discounts and commissions	US$	US$
Proceeds to Xunlei Limited, before expenses	US$	US$

We have granted the underwriters an option for a period of 30 days to purchase up to an aggregate of 1,097,250 additional ADSs from us at the public offering price less underwriting discounts and commissions to cover over-allotments.

The underwriters expect to deliver the ADSs to purchasers on or about , 2014.

Investing in our ADSs involves a high degree of risk. See "Risk factors" beginning on page 17.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

J.P. Morgan **Citigroup**

Oppenheimer & Co.

, 2014.

Table of Contents

Table of Contents

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 the prospectus outside the United States.

Until 2014 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Prospectus summary

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in our ADSs discussed under "Risk factors," before deciding whether to buy our ADSs. This summary and other sections of this prospectus contain (i) information from a report, referred to in this prospectus as the iResearch Report, which we commissioned from iResearch Consulting Group, or iResearch, a third-party market research firm, to provide certain information including the number of monthly active users of Xunlei Accelerator and (ii) information from other publicly available reports by China Internet Network Information Center, or CNNIC, Analysys International or iResearch, which are identified by the statement "according to CNNIC," "according to Analysys International" or "according to iResearch" in this prospectus, as appropriate, and include, among others, information from the iUser Tracker database of iResearch containing overall market data on the internet industry in China.

Our business

We are one of the top 10 largest Chinese internet companies, as measured by user base. According to iResearch, we had an average of approximately 300 million monthly unique visitors for the three months ended on March 31, 2014. Digital media content, such as video, music and games, is one of the most popular usages for internet users in China. We operate a powerful internet platform in China based on cloud computing to enable users to quickly access, manage, and consume digital media content. We are increasingly extending to mobile devices in part through potentially pre-installed acceleration products in mobile phones and to living rooms through TV coverage (set-top boxes and IPTV) to further expand our user base and offer our users a wider range of access points. We aspire to deliver superior user experience in ease of access, management and consumption of digital media content anywhere, anytime, and on any device.

We are the No. 1 acceleration product provider in China as measured by market share in March 2014, according to iResearch. To address deficiencies of digital media transmission over the internet in China, such as low speed and high delivery failure rates, we provide users with quick and easy access to online digital media content through two core products and services:

- Xunlei Accelerator, which enables users to accelerate digital transmission over the internet, is our most popular and free product, with approximately 142 million monthly active users and approximately 204 million monthly unique visitors in March 2014, according to the iResearch Report. Xunlei Accelerator enjoys a market share of 84.1% based on the number of launches among all transmission and acceleration products in China in March 2014, according to iResearch; and

- Our cloud acceleration subscription services, delivered through products such as Green Channel, Offline Accelerator and Yunbo, offer users premium services for speed and reliability, with approximately 5.2 million subscribers as of March 31, 2014, up from approximately 1.1 million as of January 31, 2011.

Benefitting from the large user base for our core product, Xunlei Accelerator, we have further developed various value-added services to meet a fuller spectrum of our users' digital media content access and consumption needs including:

- Xunlei Kankan, the 6th largest online video streaming platform in China, with monthly unique visitors of approximately 136.0 million in March 2014, according to iResearch. Users can watch what they want for free from our comprehensive content library;
- Pay per view services, launched in the second half of 2012 and serving approximately 155,000 subscribers as of March 31, 2014, providing them with access to our premium content library of over 800 movies, primarily new releases. As of March 31, 2014, about 58% of our pay per view subscribers are also subscribers for our premium acceleration services, presenting opportunities for further cross-selling; and
- Online game services, including web games and massive multiplayer online games, or MMOGs, offered on our gaming platform.

We are increasingly expanding our services to living room based internet devices and mobile devices, as part of our cloud-based home and mobile strategies. Starting in 2013, we began to pre-install our acceleration products in set-top boxes distributed by third-party hardware providers. As of March 31, 2014, we had accumulated an installed base of approximately 1,552,000 set-top boxes across China. We believe our living room strategy combined with our success on PC internet will provide a seamless user experience to access digital media content from any device. We also target to make our mobile applications the central user interface for accessing and managing digital media content in a synchronized manner. Since 2012, we have entered into pre-installment service agreements with several mobile phone manufacturers, including a Xiaomi group company, pursuant to which we agree to provide our Xunlei mobile acceleration applications, and the mobile phone manufacturers agree to install such applications on their phones, free of charge. Xiaomi is a well-recognized smart phone brand in China and once such pre-installment arrangements are implemented, Xiaomi phone users will have access to ou acceleration services, which could enhance our ability to generate more user traffic. These strategies and our compelling value proposition will provide us with the foundation to further grow our user base and allow our customers to access and enjoy digital media content regardless of device or location.

The technological backbone of our products and services is our cloud acceleration technology, comprised of a proprietary file locating system and massive file index database. Our technology enables us to support greater user expansion with incremental increases in server and bandwidth costs. This technology, based on distributed computing architecture, along with our indexing technology, enables users to access content in an efficient manner.

We have successfully monetized our large user base. We generate revenues primarily through the following services:

- Cloud subscription services. We provide premium acceleration services for subscribers to enable faster and more reliable access to digital media content;
- Online advertising services. We offer advertising services by providing marketing opportunities on our online video streaming websites and platform to our advertisers; and

- Other internet value-added services. We offer multiple other value-added services to our users, including online games and pay per view services.

We have grown significantly in recent years. Our revenues increased from US$87.5 million in 2011 to US$148.2 million in 2012 and US$180.2 million in 2013. We had net loss attributable to Xunlei Limited of US$0.01 million in 2011 and net income attributable to Xunlei Limited of US$0.5 million in 2012 and US$10.7 million in 2013, respectively. Our revenues were US$41.3 million and US$41.2 million for the three months ended March 31, 2013 and 2014, respectively. We had net income attributable to Xunlei Limited of US$3.9 million for the three months ended March 31, 2013 and US$0.4 million for the same period in 2014.

Our industry

The proliferation of internet usage in China in recent years has made China the largest internet market in the world. According to China Internet Network Information Center, or CNNIC, the number of internet users in China had reached 618 million as of December 31, 2013. In addition, China had a broadband penetration rate of 88.8% among internet users as of December 31, 2012, according to iResearch. With the increasing internet penetration in China, several leading internet platforms have emerged and attracted large user base. According to iResearch, there are only 12 internet platforms in China with over 300 million monthly unique visitors, based on the data for the month ended March 31, 2014, including Xunlei.

As internet penetration continues to increase in China and throughout the world, digital media has proliferated, resulting in enormous amount of digital media content flow through the internet.

Online video. Online video usage in China has grown significantly in recent years after an initial lag caused by bandwidth limitations and software and hardware compatibility requirements. According to iResearch, the size of China's online video market, as measured by revenues, is expected to grow from 6.3 billion Renminbi, or RMB, in 2011 to RMB29.8 billion in 2016, representing a CAGR of 36.6%.

Online games. Online gaming is one of the most popular online activities in China. According to iResearch, the size of China's online gaming market, as measured by revenues, is expected to grow from RMB53.4 billion in 2011 to RMB183.7 billion in 2016, representing a CAGR of 27.8%.

In addition to PC and mobile, TV is also emerging as a new outlet for internet consumption. According to Analysys International, the installed base of OTT (over-the-top) TVs in China, including smart TVs and TVs with smart set-top boxes connections, was 17.0 million as of December 31, 2012, and is expected to increase to 239.0 million as of December 31, 2016, representing a CAGR of 93.6%.

Although the internet has become the mainstream channel for accessing digital media content, challenges for data transmission still exist. The size of digital media content files continues to grow to provide better user experience, which generates significant demand and opportunities for accelerated data transmission. Increasing consumption of digital media content, especially data-intensive content, may cause latency and other network performance issues. In China, most of the internet traffic goes through the networks of three carriers, China Telecom, China Unicom and China Mobile, which form the internet backbone of the country. However, major subnets are operated by different carriers in each province with limited interconnectivity

among the three carriers, which causes network congestion despite improving last mile access enabled by increasing bandwidth. As a result, internet users in China constantly seek advanced technologies to enhance the accessibility of internet content.

Our strengths

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

- Leading consumer internet platform in China;
- Large and loyal user base with a growing number of subscribers;
- Highly scalable and cost-efficient distributed computing network;
- Proven monetization track record; and
- Culture of innovation and experienced management team.

Our strategies

Our mission is to become the leading technology company for internet users in China to access, manage and consume digital media content through internet-enabled devices. We intend to achieve this mission by pursuing the following strategies:

- Continue to grow our user base and improve user engagement and retention through user experience enhancement;
- Further monetize our large user base;
- Endeavor to provide seamless cross device user access;
- Strengthen relationships with strategic partners to further build our ecosystem;
- Continue to focus on research and development and maintain our technological leadership; and
- Selectively pursue business expansion via partnerships and acquisitions.

Our challenges

Our ability to achieve our mission and execute our strategies is subject to risks and uncertainties, including but not limited to those relating to our ability to:

- continue developing innovative technologies in response to evolving user demand and maintain our technological leadership;
- maintain and further monetize our user base, expand our subscription services and grow our subscriber base;
- develop, maintain and protect intellectual property and other proprietary rights;
- license and protect third-party intellectual property rights;
- attract and retain qualified personnel;

- maintain and develop relationships with advertisers;
- successfully adapt our business model to changes in our industry; and
- maintain control over our variable interest entities, which is based upon contractual arrangements rather than equity ownership.

Our history and structure

We commenced operations in January 2003 through the establishment of Shenzhen Xunlei Networking Technologies Co., Ltd., or Shenzhen Xunlei, in China. We established Xunlei Limited (formerly known a Giganology Limited) as our holding company in February 2005 in the Cayman Islands. Xunlei Limited directly owns Giganology (Shenzhen) Ltd., or Giganology Shenzhen, our wholly owned subsidiary in Chin established in June 2005.

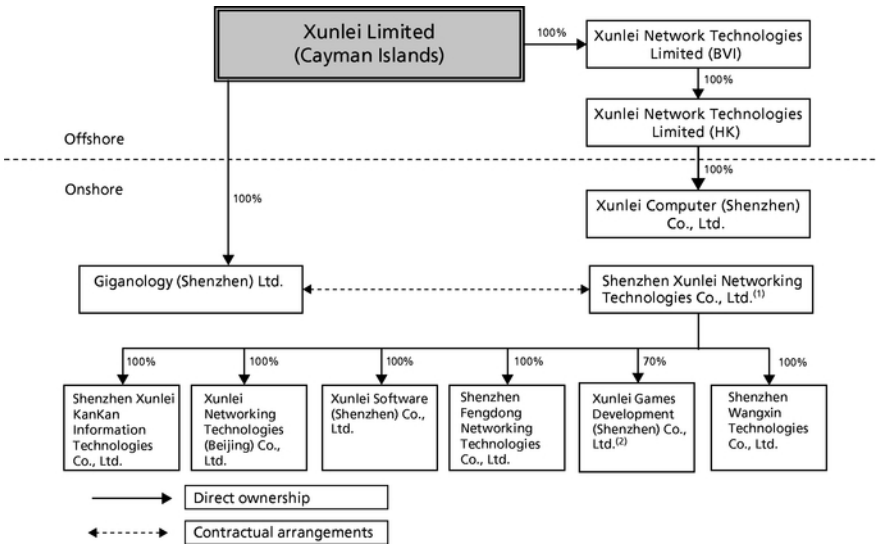
Giganology Shenzhen has entered into a series of contractual arrangements with Shenzhen Xunlei and its shareholders. The contractual arrangements between Giganology Shenzhen, Shenzhen Xunlei and its shareholders enable us to (1) exercise effective control over Shenzhen Xunlei; (2) receive substantially all of the economic benefits of Shenzhen Xunlei in consideration for the technical and consulting services provided and the intellectual property rights licensed by Giganology Shenzhen; and (3) have an exclusive option to purchase all of the equity interests in Shenzhen Xunlei when and to the extent permitted under laws and regulations of People's Republic of China, or PRC.

As a result of these contractual arrangements, we are considered the primary beneficiary of Shenzhen Xunlei, and we treat it as our variable interest entity, or VIE, under the generally accepted accounting principles in the United States, or U.S. GAAP. We have consolidated the financial results of Shenzhen Xunlei and its subsidiaries in our consolidated financial statements in accordance with U.S. GAAP.

In February 2011, we established a direct wholly owned subsidiary, Xunlei Network Technologies Limited, or Xunlei Network BVI, in the British Virgin Islands. In March 2011, we established Xunlei Network Technologies Limited, or Xunlei Network HK, in Hong Kong, which is the direct wholly owned subsidiary of Xunlei Network BVI.

In November 2011, we established Xunlei Computer (Shenzhen) Co., Ltd. (also known as Thunder Computer (Shenzhen) Limited), or Xunlei Computer, in China, which is the direct wholly owned subsidiary o Xunlei Network HK.

The following diagram illustrates our corporate structure and subsidiaries and variable interest entities as of the date of this prospectus:



(1) Shenzhen Xunlei is our variable interest entity. Mr. Sean Shenglong Zou, our co-founder, chairman and chief executive officer, Mr. Hao Cheng, our co-founder and director, Mr. Jianming Shi, Guangzhou Shulian Information Investment Co., Ltd. and Ms. Fang Wang respectively own 76.0%, 8.3%, 8.3%, 6.7% and 0.7% of Shenzhen Xunlei's equity interests.

(2) The remaining 30% of the equity interest is owned by Mr. Hao Cheng.

In March 2014, we completed the first tranche of series E preferred shares financing, pursuant to which Xiaomi Ventures Limited, or Xiaomi Ventures, subscribed for 70,975,491 series E preferred shares for a total purchase price of US$200 million, or approximately US$2.8 per share. As of the date of this prospectus, Xiaomi Ventures holds approximately 27.2% of our total issued and outstanding shares on an as-converted basis. In addition, concurrent with the closing of Xiaomi Ventures' subscription, we issued warrants to Xiaomi Ventures with an exercise price of approximately US$2.8 per share. As of the date of this prospectus, Xiaomi Ventures is entitled to subscribe for up to 17,744,264 series E preferred shares upon exercise of the warrants. If we are unable to complete this offering by December 31, 2014, then such warrants are exercisable at Xiaomi Ventures' option starting from January 1, 2015 and ending on March 1, 2015. Xiaomi Ventures has agreed to subscribe for up to US$50 million of ADSs in this offering subject to the discretion of Xunlei Limited and the lead underwriters as to the amount of ADSs that Xiaomi Ventures will get in this offering, if any, provided that the ADSs subscribed by Xiaomi Ventures will no account for more than 30% the total ADSs being offered and sold in the offering. In the event that the lead underwriters allocate any number of ADSs to Xiaomi Ventures with a total purchase price of no greater than US$50 million within 30% of the total number of ADSs being offered and sold in this offering, Xiaomi

Ventures will be obligated to purchase such ADSs at the initial public offering price no later than at the completion of this offering. Furthermore, Xiaomi Ventures or its designee has the right to subscribe for additional series E preferred shares for a total consideration of US$100 million within three months after the closing of the first tranche of series E preferred shares financing. Moreover, in relation to the first tranche of series E preferred shares financing, we also issued warrants to Skyline Global Company Holdings Limited, or Skyline, with an exercise price of approximately US$2.8 per share. As of the date of th prospectus, Skyline is entitled to subscribe for up to 3,406,899 series E preferred shares upon its exercise of the warrants. Such warrants are exercisable at Skyline's option no later than the pricing date of thi offering or March 1, 2015, whichever is earlier.

In April 2014, we completed the second tranche of series E preferred shares financing with new investors, including King Venture Holdings Limited, or King Venture, an affiliated investment vehicle of Kingsoft Corporation Limited. As a result, King Venture subscribed for 31,939,676 series E preferred shares for a total purchase consideration of US$90 million, or approximately US$2.8 per share, and other investors subscribed for an aggregate number of 7,097,706 series E preferred shares for a total purchase consideration of US$20 million. As of the date of this prospectus, King Venture holds approximately 12.2% of our total issued and outstanding shares on an as-converted basis. The subscription for additional series E preferred shares upon exercise of subscription rights by Xiaomi Ventures or its designee were deemed to have been consummated simultaneously.

In April 2014, we repurchased shares from several existing shareholders. As of the date of this prospectus, we completed the repurchase of an aggregate number of 23,298,276 common shares and preferred shares.

Corporate information

Our principal executive offices are located at 4/F, Hans Innovation Mansion, North Ring Road, No. 9018 High-Tech Park, Nanshan District, Shenzhen, 518057, People's Republic of China. Our telephone number at this address is (86-755) 3391-2900. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc.

Investors should contact us for any inquiries through the address and telephone number of our principal executive offices. Our website is www.xunlei.com. The information contained on our website is not a part of this prospectus.

Implications of being an emerging growth company

As a company with less than US$1.0 billion in revenues for the last fiscal year, we qualify as an "emerging growth company" pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from th auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company's internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised

financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We will remain an emerging growth company until the earliest of (a) the last day of our fiscal year during which we have total annual gross revenues of at least US$1.0 billion; (b) the last day of our fiscal year following the fifth anniversary of the completion of this offering; (c) the date on which we have, during the previous three-year period, issued more than US$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer" under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

The offering

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

Offering price	We currently estimate that the initial public offering price will be between US$9.00 and US$11.00 per ADS.
ADSs offered by us	7,315,000 ADSs.
ADSs outstanding immediately after this offering	7,315,000 ADSs (or 8,412,250 ADSs, if the underwriters exercise in full their over-allotment option to purchase additional ADSs).
Common shares outstanding immediately after this offering	346,912,180 common shares (or 352,398,430 common shares if the underwriters exercise their over-allotment option in full, including 263,374,445 common shares resulting from the automatic conversion of all of our outstanding preferred shares immediately upon the completion of this offering, assuming the initial public offering price at US$10.00 per ADS, the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus.
The ADSs	Each ADS represents five common shares, par value US$0.00025 per share. The depositary will hold the common shares underlying your ADSs. You will have rights as provided in the deposit agreement. If we declare dividends on our common shares, the depositary will pay you the cash dividends and other distributions it receives on our common shares, after deducting its fees and expenses. You may turn in your ADSs to the depositary in exchange for common 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.

Over-allotment option	We have granted to the underwriters an option, which is exercisable within 30 days from the date of this prospectus, to purchase up to an additional 1,097,250 ADSs.
Use of proceeds	We plan to use the net proceeds we receive from this offering to invest in technology, infrastructure and product development efforts, to acquire digital media content and exclusive online game licenses and for other general corporate purposes, including working capital needs and potential acquisitions. See "Use of proceeds" for additional information.
Lock-up	We, our directors and executive officers, certain of our existing shareholders holding in the aggregate of over 90% of our outstanding shares and certain option holders to purchase our common shares have agreed with the underwriters, subject to certain exceptions, not to sell, transfer or dispose of, directly or indirectly, any of our ADSs or common shares or securities convertible into or exercisable or exchangeable for our ADSs or common shares for a period of 180 days following the date of this prospectus. Furthermore, all of our directors, executive officers, existing shareholders and holders of the options to purchase our common shares are restricted by our agreement with the depositary from depositing common shares in our ADS facility or having new ADSs issued to them during the same period. See "Underwriting" for more information.
Listing	We intend to apply to have the ADSs listed on the NASDAQ Global Market under the symbol "XNET." Our ADSs and shares will not be listed on any other stock exchange or traded on any automated quotation system.
Payment and settlement	The underwriters expect to deliver the ADSs against payment therefor through the facilities of the Depository Trust Company on , 2014.
Depositary	The Bank of New York Mellon.
Reserved ADSs	At our request, the underwriters have reserved for sale, at the initial public offering price, up to 420,613 ADSs offered by this prospectus to our directors, officers, employees, business associates and related persons through a directed share program.
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 common shares that will be outstanding immediately after this offering:

- assumes no exercise of the underwriters' over-allotment option;

- assumes Skyline does not exercise the warrants to subscribe for up to 3,406,899 series E preferred shares prior to or upon the pricing of this offering;
- excludes 26,822,828 common shares reserved for future issuances under our 2010 Plan, of which options to purchase 21,274,267 common shares are outstanding as of the date of this prospectus; an
- excludes 23,269,144 common shares issued to Leading Advice Holdings Limited for future issuances of share-based awards under our 2013 Plan and 2014 Plan, except for 180,000 restricted shares which have vested and are deemed outstanding.

As the high end of the estimated range of the initial public offering price shown on the front cover of this prospectus is below the prevailing conversion prices for our series C, series D and series E preferred shares, we anticipate that we will need to adjust such conversion prices according to the anti-dilution adjustment formula set out under our currently effective memorandum and articles of association. For illustration purpose only, we estimate that we will issue 49,399,444 additional common shares based on the midpoint of the estimated range of the initial public offering price shown on the front cover of this prospectus, representing a post-offering outstanding share capital of 346,912,180 common shares, or 48,563,368 additional common shares based on the high end of the estimated range of the initial public offering price shown on the front cover of this prospectus, representing a post-offering outstanding share capital of 331,875,423 common shares, or 50,352,901 additional common shares based on the low er of the estimated range of the initial public offering price shown on the front cover of this prospectus, representing a post-offering outstanding share capital of 365,235,545 common shares.

Summary consolidated financial data

The following summary consolidated statements of operations data for the years ended December 31, 2011, 2012 and 2013 and the summary balance sheet data as of December 31, 2012 and 2013 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated statements of operations data for the three months ended March 31, 2013 and 2014 and the summary balance sheet data as of March 31, 2014 are derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited interim condensed consolidated financial statements on the same basis as our audited consolidated financial statements and include 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 periods presented. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results for any period are not necessarily indicative of results to be expected for any future period. You should read the following summary financial information in conjunction with the consolidated financial statements and related notes and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

(in thousands of US$, except for share, per share and per ADS data)	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2011	2012	2013	2013 (unaudited)	2014 (unaudited)
Revenues, net of rebates and discounts	87,471	148,200	180,244	41,319	41,190
Business tax and surcharges	(5,569)	(7,679)	(5,650)	(1,245)	(1,192)
Net revenues	81,902	140,521	174,594	40,074	39,998
Cost of revenues	(48,068)	(84,012)	(93,260)	(20,783)	(23,864)
Gross profit	33,834	56,509	81,334	19,291	16,134
Operating expenses[1]					
Research and development expenses	(12,142)	(20,357)	(28,832)	(6,093)	(7,079)
Sales and marketing expenses	(10,966)	(20,219)	(26,610)	(4,443)	(5,027)
General and administrative expenses	(18,601)	(18,474)	(23,073)	(4,409)	(6,068)
Total operating expenses	(41,709)	(59,050)	(78,515)	(14,945)	(18,174)
Net gain/(loss) from exchanges of content copyrights	4,742	4,666	1,020	(171)	826
Operating (loss)/income	(3,133)	2,125	3,839	4,175	(1,214)
Interest income	270	1,377	1,189	190	387
Interest expense	(339)	(1,400)	—	—	—
Other income, net	1,415	564	4,679	588	1,123
Shares of (loss)/income from equity investee	(7)	(45)	25	(23)	(56)
(Loss)/income before income tax	(1,794)	2,621	9,732	4,930	240
Income tax benefit/(expense)	1,783	(2,239)	647	(862)	(62)

(in thousands of US$, except for share, per share and per ADS data)	For the Year Ended December 31, 2011	2012	2013	For the Three Months Ended March 31, 2013 (unaudited)	2014 (unaudited)
Net (loss)/income	(11)	382	10,379	4,068	178
Less: net (loss)/income attributable to non-controlling interest	(1)	(121)	(283)	167	(219)
Net (loss)/income attributable to Xunlei Limited	(10)	503	10,662	3,901	397
Beneficial conversion feature of series C convertible preferred shares from their modification	—	(286)	—	—	—
Deemed contribution from series C preferred shareholders	—	2,979	—	—	—
Contingent beneficial conversion feature of series C to a series C shareholder	—	—	—	—	(57)
Deem dividend to series D shareholder from its modification	—	—	—	—	(279)
Accretion of series D to convertible redeemable preferred shares redemption value	—	(3,509)	(4,300)	(1,060)	(1,153)
Accretion of series E to convertible redeemable preferred shares redemption value	—	—	—	—	(2,525)
Amortization of beneficial conversion feature of series E	—	—	—	—	(933)
Allocation of net income to participating preferred shareholders	—	—	(4,094)	(1,828)	—
Net (loss)/income attributable to Xunlei Limited's common shareholders	(10)	(313)	2,268	1,013	(4,550)
Weighted average number of common shares used in per share calculations					
Basic	59,143,208	61,447,372	61,447,372	61,447,372	61,447,372
Diluted	59,143,208	61,447,372	76,065,898	75,901,980	61,447,372
Net (loss)/income attributable to holders of common shares of Xunlei Limited per common share					
Basic	(0.00)	(0.01)	0.04	0.02	(0.07)
Diluted	(0.00)	(0.01)	0.01	0.01	(0.07)
Net (loss)/income attributable to holders of common shares of Xunlei Limited per ADS[(2)]					
Basic			0.01		(0.01)
Diluted			0.01		(0.01)
Weighted average number of common shares used in pro forma per share calculations					
Basic			172,400,906		245,012,554
Diluted			187,019,432		314,032,593

(in thousands of US$, except for share, per share and per ADS data)	For the Year Ended December 31, 2011	2012	2013	For the Three Months Ended March 31, 2013 (unaudited)	2014 (unaudited)
Pro forma earnings per common share (unaudited)[3]					
Basic			0.06		0.00
Diluted			0.05		0.00
Adjusted Article 11 pro forma net (loss)/income attributable to Xunlei Limited's common shareholders (unaudited)[4]					
Basic			(6,994)		823
Diluted			(6,994)		636
Weighted average number of common shares used in adjusted Article 11 pro forma (loss)/earnings per share calculations (unaudited)[4]					
Basic			260,757,736		260,757,736
Diluted			260,757,736		329,796,236
Adjusted Article 11 pro forma (loss)/earnings per common share (unaudited)[4]					
Basic			(0.03)		0.00
Diluted			(0.03)		0.00
Weighted average number of common shares used in pro forma as adjusted per share calculations (unaudited)					
Basic			346,732,180		346,732,180
Diluted			346,732,180		415,770,680
Pro forma as adjusted earnings per common share (unaudited)[5]					
Basic			(0.02)		0.00
Diluted			(0.02)		0.00
Pro forma as adjusted earnings per ADS (unaudited)[5]					
Basic			(0.00)		0.00
Diluted			(0.00)		0.00

Notes:

(1) Share-based compensation expenses were allocated in operating expenses as follows:

(in thousands of US$)	For the Year Ended December 31, 2011	2012	2013	For the Three Months Ended March 31, 2013 (unaudited)	2014 (unaudited)
Research and development expenses	898	1,085	973	235	191
Sales and marketing expenses	73	46	43	9	12
General and administrative expenses	1,128	1,102	1,080	84	859
Total share-based compensation expenses	2,099	2,233	2,096	328	1,062

(2) Each ADS represents five common shares.

(3) The unaudited pro-forma earnings per share give effect to our planned conversion of preferred shares into common shares based on the applicable conversion prices upon the completion of this offering. The unaudited pro forma presentation does not include (1) the series E preferred shares issued in April 2014, and (2) the repurchase transactions occurred in April 2014.

(4) The unaudited adjusted Article 11 pro-forma net loss attributable to Xunlei Limited's common shareholders, loss per common share and weighted average number of common shares used in adjusted Article 11 pro forma los per share calculation for the year ended December 31, 2013 give effect to (1) the series E preferred shares issued in March and April 2014, (2) the repurchase transactions occurred in April 2014, and (3) our planned conversion of preferred shares into common shares based on the applicable conversion prices upon the completion of this offering. The unaudited adjusted Article 11 pro-forma net income attributable to Xunlei Limited's common shareholders, earnings per common share and weighted average number of common shares used in adjusted Article 11 pro forma earnings per share calculation for the three months ended March 31, 2014 give effect to (1) the series E preferred shares issued in April 2014, (2) the repurchase transactions occurred in April 2014, and (3) our planned conversion of preferred shares into common shares based on the applicable conversion prices upon the completion of this offering. Please refer to our unaudited pro forma condensed consolidated financial information on pages P-17 and P-18 for additional information.

(5) The unaudited pro-forma as adjusted net loss attributable to our common shareholders, loss per common share and weighted average number of common shares used in the pro forma as adjusted loss per share calculation for the year ended December 31, 2013 give effect to (1) the series E preferred shares issued in March and April 2014, (2) the repurchase transactions occurred in April 2014, (3) the triggering of the anti-dilution clause for the series C, D, E preferred shares from the issuance and sale of this offering and (4) our planned conversion of preferred shares into common shares based on the applicable conversion prices upon the completion of this offering. The triggering of the anti-dilution clause is in accordance with the anti-dilution clause in the financing documents. At the time of this anti-dilution, the anti-dilution triggered upon this offering contained a beneficial conversion featu of US$73 million and the amount was charged to additional paid in capital in 2014 as a deemed dividend. The unaudited pro-forma as adjusted net income attributable to Xunlei Limited's common shareholders, earnings per common share and weighted average number of common shares used in pro forma as adjusted earnings per share calculation for the three months ended March 31, 2014 give effect to (1) the series E preferred shares issued in April 2014, (2) the repurchase transactions occurred in April 2014, (3) the triggering of the anti-dilution clause for the series C, D, E preferred shares from the issuance and sale of this offering and (4) our planned conversion of preferred shares into common shares based on the applicable conversion prices upon the completion of this offering. The triggering of the anti-dilution clause is in accordance with the anti-dilution clause in the financing documents. At the time of this anti-dilution, the anti-dilution triggered upon this offering contained a beneficial conversion feature of US$73 million and the amount was charged to additional paid in capital in 2014 as a deemed dividend.

	As at December 31,		As at March 31,			
(in thousands of US$)	**2012**	**2013**	**2014 Actual, (unaudited)**	**2014[1] Pro forma (unaudited)**	**2014[2] Article 11 Pro forma as adjusted (unaudited)**	**2014[3] Pro forma as adjusted (unaudited)**
Selected Consolidated Balance Sheet Data:						
Cash and cash equivalents	81,906	93,906	302,361	302,361	338,277	402,857
Short-term investments	6,523	40,993	32,339	32,339	32,339	32,339
Total current assets	163,830	193,781	385,409	385,409	421,325	435,196
Total assets	202,204	244,403	439,785	439,785	475,701	540,281
Accounts payables	31,834	39,820	36,922	36,922	36,922	36,922
Total current liabilities	79,544	105,385	100,961	100,961	101,018	101,018
Total liabilities	97,886	124,835	155,255	155,255	127,460	127,460
Mezzanine equity	35,990	40,290	157,443	—	—	—
Total Xunlei Limited's shareholders' equity	67,968	79,194	127,222	284,665	348,376	412,956
Non-controlling interest	360	84	(135)	(135)	(135)	(135)
Total liabilities and equity	202,204	244,403	439,785	439,785	475,701	540,281

(1) On a pro forma basis to reflect the planned conversion of preferred shares into common shares based on the applicable conversion prices upon the completion of this offering, and the unaudited pro forma presentation does not include (1) the series E preferred shares issued in April 2014 and (2) the repurchase transactions occurred in April 2014.

(2) On an Article 11 pro forma as adjusted basis to reflect (1) the series E preferred shares issued in April 2014, (2) the repurchase transactions occurred in April 2014, and (3) our planned conversion of preferred shares into common shares based

on the applicable conversion prices upon the completion of this offering. Please refer to the unaudited pro forma condensed consolidated financial information on page P-2 for additional information.

(3) On a pro forma as adjusted basis to reflect (1) the planned conversion of preferred shares into common shares based on the applicable conversion prices, (2) the issuance and sale of series E preferred shares in April 2014 (3) the repurchase transactions occurred in April 2014, (4) the triggering of the anti-dilution clause for the series C, D and E preferred shares from the issuance and sale of this offering and (5) the issuance and sale of 36,575,000 common shares in the form of ADSs by us in this offering at an assumed initial public offering price of US$10.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover of this prospectus after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. The triggering of the anti-dilution clause is in accordance with the anti-dilution clause in the financing documents. At the time of this anti-dilution, the anti-dilution triggered upon this offering contained a beneficial conversion feature of US$73 million and the amount was charged to additional paid in capital in 2014 as a deemed dividend.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
(in thousands of US$)	**2011**	**2012**	**2013**	**2013 (unaudited)**	**2014 (unaudited)**
Selected Cash Flow Statement Data:					
Net cash generated from operating activities	18,277	59,914	85,533	16,590	15,019
Net cash used in investing activities	(36,875)	(49,490)	(78,352)	(18,179)	(5,130)
Net cash generated from financing activities	50,032	17,692	2,487	1,307	199,620
Net increase/(decrease) in cash and cash equivalents	31,434	28,116	9,668	(282)	209,509
Effect of exchange rate changes	562	441	2,332	169	(1,054)
Cash and cash equivalents at beginning of year/period	21,353	53,349	81,906	81,906	93,906
Cash and cash equivalents at end of year/period	53,349	81,906	93,906	81,793	302,361

Risk factors

An investment in our ADSs involves significant risks. You should carefully consider 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

If we fail to continue the growth based on our current subscription-based, multiple-source revenue model, our business will be adversely affected.

We launched our core product, Xunlei Accelerator, in 2004 and cloud acceleration subscription services in 2009 to enable users to quickly access and consume digital media content. These cloud acceleration products have rapidly achieved nationwide popularity in the past few years. Coupled with our core products and services, we provide online video streaming services through Xunlei Kankan platform and other internet value-added services. Revenues from our cloud acceleration subscription services have significantly increased since 2009 while revenues from our online advertising and other internet value-added services have increased steadily over the years. We expect our growth trend to continue as we expand our subscriber base. However, due to the limited operating history of our current subscription-based, diversified multiple-source revenue stream business model, our historical growth rate may not be indicative of our future performance, especially if we are unable to continue to convert more users into subscribers. We also cannot assure you that we will grow at the same rate as we did in the past.

We may not be able to retain and grow our large user base, convert our users into subscribers of our premium services or maintain our existing subscribers and attract new subscribers.

We enjoy a large user base. Our platform had an average of approximately 300 million monthly unique visitors for the three months ended March 31, 2014, according to iResearch. Xunlei Kankan attracted approximately 136.0 million monthly unique visitors in March 2014, according to iResearch. However, if we are unable to consistently provide our users with quality experience of quick and easy access to digital media content, or if users do not perceive our service offerings to be of value, or if we introduce new or adjust existing features or change the mix of digital media content in a manner that is not favorably received by them, we may not be able to retain our existing users.

We launched our cloud acceleration subscription services in March 2009, which have since then experienced substantial growth. The total number of our subscribers reached approximately 5.2 million as of March 31, 2014. However, we cannot assure you that we will be able to maintain and increase the number of our subscribers. For example, our efforts to provide greater incentives for our users to subscribe, including marketing activities to highlight the value of differentiated subscriber-only services, such as Green Channel and Offline Accelerator, may not continue to succeed. Our subscribers may stop their subscriptions or other spending on our products or services because we no longer serve their needs or if we are unable to successfully compete with current and new competitors in both retaining our existing subscribers and attracting new subscribers, which would adversely impact our business, results of operations and prospects.

If we fail to keep up with the technological development and users' changing demands in the internet industry, our business, financial condition and results of operations may be materially and adversely affected.

The internet industry is rapidly evolving and subject to continual technological changes. As the internet infrastructure continues to develop, the internet may become more easily accessible through alternative technological innovations in the future, which would make our existing products and services less attractive to our users. For example, an increasing number of users access the internet via devices other than PCs, including mobile phones and other hand-held devices, which requires us to upgrade our software and website to make our services easily accessible by users of mobile devices. Although as of the date of this prospectus, approximately 5% of our existing users access the acceleration and online streaming services through mobile devices, if our mobile-based services fail to become popular, we may lose those users and fail to attract new users, which may further adversely impact our growth. In addition, user demands for internet content may also shift over time. Currently, internet users appear to have significant demand for multimedia acceleration, online streaming and online games services, and we expect such demand to continue. However, we cannot assure you that the behavior of internet users will not change in the future. If we do not upgrade our services in response to changes of users' demands in an effective and timely manner, the number of our users and advertisers may decrease. Furthermore, changes in technologies and user demands may require substantial capital expenditures in product development and infrastructure. We are increasingly extending to mobile devices in part through potentially pre-installed acceleration products in mobile phones and to living rooms through TV coverage (set-top boxes and IPTV) to further expand our user base and offer our users a wider range of access points. To achieve this, we are continually developing and upgrading products and services and seeking strategic cooperation with hardware manufacturers which may require significant resources from us. If we fail to implement our strategy successfully, or if our innovations cannot respond to the needs of our users, our business, results of operations and prospects may be materially and adversely affected. Failure to keep up with technological developments may cause our services to become less attractive, which in turn may materially and adversely affect our business, results of operations and prospects.

We face and expect to continue to face copyright infringement claims and other related claims, including claims based on content available through our services, which could be time-consuming and costly to defend and may result in damage awards, injunctive relief and/or court orders, divert our management's attention and financial resources and adversely impact our business.

Our success depends, in large part, on our ability to operate our business without infringing, misappropriating or otherwise violating third-party rights, including third-party intellectual property rights. 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.

In May 2014, we entered into a content protection agreement with the Motion Picture Association of America, Inc., or MPAA, and six major U.S. entertainment content providers, which are the members of MPAA. We have agreed to implement a comprehensive system of measures designed to prevent unauthorized downloading of and access to such content providers' works. Among these content protection measures, we have agreed to (1) implement

a filtering system that will be applied to these content providers' video content, (2) filter these content providers' video content prior to making any such content available to our users through our websites or client applications, (3) adopt state-of-the-art fingerprinting-based filtering technologies, (4) cooperate with these content providers going forward to ensure the effectiveness of our content protection measures, and (5) incorporate additional content protection measures to the extent that they are necessary to effectively protect against copyright infringement. Due to the technological complexities of such content protection measures, we may fail to satisfy certain obligations under such agreement for technological or other reasons which may be out of our control. Even if we comply with all of our obligations under the content protection agreement, the implementation of content protection measures may affect our users' experience or otherwise make our services and products less competitive than those of our competitors, which could in turn materially and adversely affect our business, financial condition and results of operations. In the event that the content protection agreement is terminated or we are otherwise deemed not to be fully compliant with its material terms, the content providers may initiate a lawsuit or other proceeding against us, including for any past claims that they might otherwise have made prior to our entering into the agreement. In addition, other third party content providers may still initiate lawsuits or other proceedings against us.

In the ordinary course of our business, we receive written notices from third parties claiming that certain content in our network or on one or more of our websites infringe their copyrights and threatening to take legal actions against us. We have in the past received claims that content and games on our websites infringes third parties' copyrights and requesting us to cease distribution, marketing or displaying such content or games on our websites. Based on our knowledge, we do not think any such allegations are substantiated. However, claims alleging copyright infringement or other claims arising from the content accessible through our distributed computing network, or on our websites or through our other services, such as any potential legal proceeding initiated by MPAA members or the Motion Picture Association Inc., or MPA, with or without merit, may lead to damage awards and/or court orders, diversion of our management's attention and financial resources and negative publicity affecting our brand and reputation, and therefore adversely affect our results of operations and business prospects.

We were subject to a total of 176 lawsuits, 114 lawsuits, 72 lawsuits and 4 lawsuits in China for alleged copyright infringement in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively. Approximately 96.4% of these lawsuits were rejected by relevant PRC courts, withdrawn by the plaintiffs or settled as of March 31, 2014. Among these lawsuits, we have only lost three lawsuits where we were ordered to pay monetary damage in the amount of RMB56,350 (US$9,054). As of March 31, 2014, we accrued approximately US$1.0 million in litigation expenses related to cases filed before then, which included US$0.8 million in copyright infringment litigation. Such amounts included amounts owed pursuant to out-of-court settlements. As of March 31, 2014, we had 17 copyright infringement lawsuits pending against us with an aggregate amount of claimed damages of approximately RMB16.3 million (US$2.6 million). Between March 31, 2014 and the date of this prospectus, 8 out of 17 copyright infringement lawsuits pending were settled. The settlement of these copyright infringement lawsuits reduced the aggregate amount of claimed damages against us from approximately RMB16.3 million (US$2.6 million) to RMB0.7 million (US$0.1 million).

The copyright infringement lawsuits pending against us involve claims alleging copyright infringement arising in connection with videos available on Xunlei Kankan and third-party

content allegedly accessible through links provided by Gougou, a web search engine. In December 2010, we sold the domain name, trademark rights and copyright interests in software relating to Gougou to a third party. As part of the purchase agreement, the third-party buyer assumed all existing and future liabilities related to Gougou, including liabilities resulting from intellectual property claims by third parties, and agreed to indemnify us for any future losses from such liabilities. However, the risk remains that the buyer may either become unwilling or, through liquidation or other events, unable to honor its obligations under the purchase agreement to assume liabilities related to Gougou, in which case we may be held liable for any liabilities related to Gougou.

The premium acceleration services and other value-added services we provide to our subscribers may expose us to additional copyright infringement claims, which could materially and adversely affect our existing business model.

We provide subscribers limited space to temporarily store content downloaded on our servers for optimal acceleration performance. Subscribers may also request our cloud servers to transmit a file on their behalf and upload it to their properties. See "Business—Our Platform—Cloud accelerator—Subscription services." In addition, certain of our services allow users to upload files after they create accounts with us, converting the files into links and sharing such links with designated persons. We may be liable for transmitting or temporarily storing content or creating links representing content on behalf of our subscribers if such content infringes third-party intellectual property rights, and any such potential legal liabilities could materially and adversely affect our existing business model.

Our technologies, business methods and services, including those relating to our resource discovery network, may be subject to third-party patent claims or rights, such as issued patents or pending patent applications, that limit or prevent their use.

We cannot assure you that holders of patents purportedly relating to our resource discovery network, products or services, if any such holders exist, would not seek to enforce such patents against us in China, the United States or any other jurisdictions. Based on our own analysis, we do not believe that we are currently infringing any third-party patents of which we are aware. However, our analysis may have failed to identify all relevant patents and patent applications. For example, there may be currently pending applications, unknown to us, that may later result in issued patents that are infringed by our products, services or other aspects of our business. There could also be existing patents of which we are not aware that our products may inadvertently infringe. Third parties may attempt to enforce such patents against us. Further, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. Any patent infringement claims, regardless of their merits, could be time-consuming and costly to us. If we were found to infringe third-party patents and were not able to adopt non-infringing technologies, we may be severely limited in our ability to operate our business, and our results of operations could be materially and adversely affected.

The intellectual property protection mechanism we have implemented may not be effective or sufficient and may subject us to future litigation or result in our inability to continue providing certain of our existing services in China.

We may not have obtained licenses for all digital media content available via our services and the scope of the licenses we obtained for certain content may not be broad enough to cover

all fashions we currently employ to distribute, market or display such content. For digital media content we have lawfully obtained from an authorized licensor, we may not be able to timely detect the expiration of the licensing period of certain of the content available via our services and disable access to such content via our services in a timely manner. We have been involved in litigations based on allegations from rights owners that we have infringed their copyright interests in such content. Assisted by our intellectual property team dedicated to copyright protection, we have implemented internal procedures to meet the requirements under relevant PRC laws and regulations to monitor and review the content we license before it is released on Xunlei Kankan and remove any infringing content promptly after we receive notice of infringement from the legitimate rights holder. See also "Business—Intellectual Property—digital media data monitoring and copyright protection" for more details. However, due to the significant amount of digital media content available on Xunlei Kankan, or accessible through our resource discovery network and other services, we generally do not seek to identify infringing content absent receiving any notice of infringement. In addition, we organize and recommend to our users, digital media content accessible through our services and provided on certain reputable audio-visual websites that have a cooperation relationship with us. As such, we may be exposed to the risk of copyright infringement liability in the event that such content has not been duly licensed to us or to the operators of those websites. Moreover, some rights owners may not send us a notice before bringing a lawsuit against us. Thus, our inability to identify unauthorized content hosted on our website or servers, or accessible through our network has subjected us to, and is expected to continue to subject us to, claims of infringement of third-party intellectual property rights or other rights. In addition, we may be subject to administrative actions brought by the National Copyright Administration of the PRC or its local branches for alleged copyright infringement.

The validity, enforceability and scope of protection of intellectual property 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 intellectual property infringement claims. The Supreme People's Court of China promulgated a judicial interpretation on infringement of the right of dissemination through internet in December 2012. This judicial interpretation provides that the courts will require service providers to remove not only links or content that have been specifically mentioned in the notices of infringement from rights holders, but also links or content they "should have known" to contain infringing content. The interpretation further provides that where an internet service provider has directly obtained economic benefits from any content made available by an internet user, it has a higher duty of care with respect to internet users' infringement of third-party copyrights. This interpretation may subject us and other internet service providers to significant administrative burdens and litigation risks. See "Regulation—Regulation on Intellectual Property Rights." Interested parties may lobby for more robust intellectual property protection in jurisdictions in which we conduct business or may conduct business, and intellectual property laws in China and other such jurisdictions may become less favorable to our business. Intellectual property litigation may be expensive and time-consuming and could divert management attention and resources. If there is a successful claim of infringement, we may be required to discontinue the infringing activities, pay substantial fines and damages and/or seek royalty or license agreements that may not be available on commercially acceptable terms, if at all. Our failure to obtain the required licenses on a timely basis could harm our business. Any intellectual property litigation and/or any negative publicity by third parties alleging our intellectual property infringement could have a material adverse

effect on our business, reputation, financial condition or results of operations. To address the risks relating to intellectual property infringement, we may have to substantially modify, limit or, in extreme cases, terminate some of our services. Any of such changes could materially affect our users' experience and in turn have a material adverse impact on our business.

We may be subject to claims or lawsuits outside of China, which could increase our risk of direct or indirect liabilities for our existing or future service offerings.

Although we have not been subject to claims or lawsuits outside China, we cannot assure you that we will not become subject to copyright laws in other jurisdictions, such as the United States, by virtue of our listing in the United States, the ability of users to access our services in the United States and other jurisdictions, the ownership of our ADSs by investors, the extraterritorial application of foreign law by foreign courts or for other reasons. We have attracted and expect to continue to attract attention from intellectual property owners outside of China, despite our efforts to control access to our products and services by users outside China. For example, the Recording Industry Association of America filed a letter with the Office of the United States Trade Representative in November 2010 accusing certain of our divested or discontinued products of facilitating intellectual property infringement. Although we take steps to block IP addresses that are located in certain jurisdictions, including the United States, from accessing certain of our services, such efforts may not be technologically successful with 100% accuracy, and any unintended access to our services may increase our risk of becoming subject to copyright laws in such jurisdictions. Even if our efforts to block IP addresses located in the United States or other jurisdictions are successful, recent efforts to amend the laws in such jurisdictions, such as bills intended to expand the extraterritorial scope of the U.S. Copyright Act, may increase our risk of becoming subject to copyright laws in such jurisdictions. In addition, as a publicly listed company, we may be exposed to increased risk of litigation.

Although U.S. copyright laws, including the Digital Millennium Copyright Act (17 U.S.C. § 512), or the DMCA, provide safeguards or "safe harbors" from claims in the United States for monetary relief for copyright infringement for certain entities that host user-uploaded content or provide information location tools that may link to infringing content, these safe harbors apply only to companies that comply with specified statutory requirements. We do not currently satisfy all of the statutory requirements of any DMCA safe harbor. If we are ever held to be subject to United States copyright law, that could increase our risk of direct or indirect copyright liability for our resource discovery, acceleration or other services. If a claim of infringement brought against us in the United States or other jurisdictions is successful, we may be required to (i) pay substantial statutory or other damages and fines, (ii) remove relevant content from our website, (iii) discontinue products or services and/or (iv) seek royalty or license agreements that may not be available on commercially reasonable terms or at all.

We may not be able to prevent unauthorized use of our intellectual property or disclosure of our trade secrets and other proprietary information, which could reduce demand for our services and have material and adverse impact on our business, financial condition and results of operations.

Our patents, trademarks, trade secrets, copyrights and other intellectual property rights are important assets for us. Events that are outside of our control may pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in China and some other jurisdictions in which our services are distributed or made available through the internet. Also, the efforts we have made to protect our proprietary

rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our competitiveness. Also, protecting our intellectual property rights is costly and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to conduct our business and harm our results of operations.

We seek to obtain patent protection for our innovations; however, it is possible that patent protection may not be available for some of these innovations. In addition, given the costs of obtaining patent protection, we may choose not to protect certain innovations that later turn out to be important. Furthermore, there is always the possibility, despite our efforts, that the scope of the protection gained will be insufficient or that an issued patent may be deemed invalid or unenforceable.

We also seek to maintain certain intellectual property as trade secrets. We require our employees, consultants, advisors and collaborators to enter into confidentiality agreements in order to protect our trade secrets and other proprietary information. These agreements might not effectively prevent disclosure of our trade secrets, know-how or other proprietary information and might not provide an adequate remedy in the event of unauthorized disclosure of such confidential information. In addition, others may independently discover our trade secrets and proprietary information, in which case we could not assert such trade secret rights against such parties. Any unauthorized disclosure or independent discovery of our trade secrets would deprive us of the associated competitive advantages. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

The success of our business depends on our ability to maintain and enhance a strong brand. If we fail to sustain or improve the strength of our brand, we may subsequently experience difficulty in maintaining market share.

We believe that maintaining and enhancing our Xunlei brand is of significant importance to the success of our business. A well-recognized brand is critical to increasing our user base and, in turn, enhancing our attractiveness to advertisers, subscribers and paying users. Since the Chinese internet market is highly competitive, maintaining and enhancing our brand depends largely on our ability to retain a significant market share in China, which may be difficult and expensive.

We have developed our reputation and established a leading position by providing our users with a superior acceleration and video viewing experience. We will continue to conduct, various marketing and brand promotion activities. We cannot assure you, however, that these activities will be successful and achieve the brand promotion effects we expect. In addition, any negative publicity in relation to our services or our marketing or promotion practices, regardless of its veracity, could harm our brand image and, in turn, result in a reduced number of users and advertisers. Historically there has been negative publicity about our company, our products and services and certain key members of our management team, which has adversely affected our brand, public image and reputation. If we fail to maintain and enhance our brand, or if we incur excessive expenses in this effort, our business, financial condition and results of operations may be materially and adversely affected. Our operations rely on our networks and servers, which can suffer failures and business interruptions. Unexpected network interruption caused by system failures or computer viruses, for example, or any malfunction,

capacity constraint or operation interruption for any extended period may have a material adverse impact on our business.

The satisfactory performance, stability, security and availability of our website and our network infrastructure are critical to our reputation and our ability to attract and retain users and advertisers. Our network provides a database of information regarding file index, advertising records, premium licensed digital media content and various other facets of the business to assist management and help ensure effective communication among various departments and offices of our company. A key element of our business is to generate a high volume of user traffic on our resource discovery network and Xunlei Kankan website. Accordingly, any failure to maintain the satisfactory performance, stability, security and availability of our network, website or technology platform may cause significant harm to our reputation and our ability to attract and maintain internet users, which may affect our users' interest in paying for our services and our advertisers' interest in advertising their products and services on our website. From time to time, our users in certain locations may not be able to gain access to our network or our website for a period of time lasting from several minutes to several hours, due to server interruptions, power shutdowns, internet connection problems or other reasons. Although we have not experienced an extended period of such server interruptions, power shutdowns or internet connection problems across our entire network, we cannot assure you that such instances will not occur in the future. Any server interruptions, break-downs or system failures, including failures which may be attributable to events within or outside our control that could result in a sustained shutdown of all or a material portion of our network or website, could reduce the attractiveness of our service offerings. In addition, any substantial increase in the volume of traffic on our network or website will require us to increase our investment in bandwidth, expand and further upgrade our technology platform. Our network systems are also vulnerable to damage from computer viruses, fires, floods, earthquakes, power losses, telecommunication failures, computer hacking and similar events. We do not maintain insurance policies covering losses relating to our network systems. As a result, any capacity constraints or operation interruptions for an extended period may have a materially adverse impact on our revenues and results of operations.

If we change advertising business model or fail to retain existing advertisers or attract new advertisers, our revenues may be materially and adversely affected.

Historically, we generate a substantial portion of our revenues from online advertising. Although the revenues generated from online advertising decreased by 22.3% from US$61.8 million in the year ended December 31, 2012 to US$48.0 million in the year ended December 31, 2013 and by 37.0% from US$11.9 million in the three months ended March 31, 2013 to US$7.5 million in the same period in 2014 after we discontinued delivering advertisements on Xunlei Accelerator to further improve our user experience and enhance user engagement on Xunlei Accelerator, we expect that the online advertising will continue to be an important revenue source generated from our video streaming services. Our large user base and relatively long user time spent on our website provide advertisers with a broad reach and optimal monetization results. We offer advertising services substantially through contracts entered into with third-party advertising agencies. We cannot assure you that we can continue to retain our advertising agencies and advertisers, or attract new advertising agencies and advertisers. The number of advertisers that use our online advertising services has dropped in the recent years. The number of advertisers decreased from 485 in 2011 to 420 in 2012 and 399 in 2013, and from 127 in the three months ended March 31, 2013 to 103 in the same period in

2014. If we cannot retain our existing advertisers or develop new advertisers in the future, our revenues generated from online advertising will be materially and negatively affected. In addition, if any advertising agencies or advertisers determine that their expenditures on our online video website do not generate expected returns, they may allocate a portion or all of their advertising budgets to others and reduce or discontinue business with us. Since our arrangements with third-party advertising agencies are typically one-year framework agreements, such advertising arrangements may be easily amended or terminated without incurring liabilities. Failure to retain existing advertising agencies and advertisers or attract new advertising agencies and advertisers may materially and adversely affect our business, financial condition and results of operations.

A number of our advertisers are e-commerce companies and online game operators. The online game and e-commerce industries in China are rapidly evolving, and the growth of these industries and their demand for online advertising services is uncertain and may be affected by factors out of our control. We also have significant brand advertising and are seeking to further expand this portion of advertising. However, we cannot assure you that we will be able to retain existing advertising agencies and advertisers or attract more advertising agencies and advertisers for brand advertising, and if we fail to do so, our business, results of operations and prospects may be materially and adversely affected.

If the online advertising industry does not further grow in China, our profitability and prospects may be materially and adversely affected.

Many advertisers in China have limited experience with online advertising, have historically allocated an insignificant portion of their advertising budgets to online advertising and may consider online advertising a less attractive channel than traditional broadcast and print media in promoting their products and services. Our profitability and prospects largely depend on the continuing development of the online advertising industry in China and may be affected by a number of factors, many of which are beyond our control, including:

- development of a larger user base with demographic characteristics attractive to advertisers;
- our ability to keep up with technological innovation and improvements in the measurement of user traffic and online advertising;
- acceptance of online advertising as an effective marketing channel;
- changes in government regulations or policies affecting the online advertising industry; and
- increased internet usage in China.

We are strictly regulated in China. Any lack of requisite licenses or permits applicable to our business and any changes in government policies or regulations may have a material and adverse impact on our business, financial condition and results of operations.

Our business is subject to governmental supervision and regulations by the relevant PRC governmental authorities including the State Council, the Ministry of Industry and Information Technology (formerly the Ministry of Information Industry), or MIIT, the General Administration of Press and Publication, Radio, Film and Television (established in March 2013 as a result of institutional reform integrating the State Administration of Radio, Film and Television, and the General Administration of Press and Publication), or GAPPRFT, Ministry of Culture, or MOC and other relevant government authorities. Together these government authorities promulgate and enforce regulations that cover many aspects of operation of telecommunications and internet

information services, including entry into the telecommunications industry, the scope of permissible business activities, licenses and permits for various business activities and foreign investment.

A license for online transmission of audio-visual programs is required for the display of video content on our websites. See "Regulation—Regulation on online transmission of audio-visual programs." Shenzhen Xunlei, the operator of our online video streaming platform, has obtained a license for online transmission of audio-visual programs. The list of websites covered by such license has not included www.xunlei.com and the list of terminals has not included mobile and TV devices. In addition, the business categories as indicated in such license fail to cover all the business activities that we are currently engaging, such as the transmission of political news. We plan to apply for an update of our license for online transmission of audio-visual programs to cover the website of www.xunlei.com, the terminals of mobile devices and TVs and expanding the business categories to cover all of our current business activities. However, we cannot assure you that we will be able to obtain such updated license in a timely manner or at all. Due to our failure to update our license for online transmission of audio-visual programs, we may be given a warning, ordered to rectify our violations and/or fined up to RMB30,000. In severe cases, our license for online transmission of audio-visual programs may be revoked.

We source digital media content from various content providers, including China-based television and movie production studios, online video sites, media companies and online game companies. In dealing with content providers, we take a series of measures to monitor and protect copyright of such content. For details of such content monitoring and copyright protection measures, see "Business—Intellectual property—digital media data monitoring and copyright protection." However, we cannot guarantee that the content providers have the legal right to license us the content or are in full compliance with all the relevant PRC permits and licenses set forth by GAPPRFT, and the remedies provided by these content providers, if any, may not be sufficient to compensate us for potential regulatory sanctions imposed by GAPPRFT due to violations of the approval and permit requirements. Nor can we ensure that any such sanctions will not adversely affect either the general availability of video content on our website or our reputation. In addition, such risks may persist due to ambiguities and uncertainties relating to the implementation and enforcement of the applicable regulations. We also source some audio-visual programs directly from foreign content providers. PRC law requires approval from GAPPRFT for introducing and broadcasting foreign movies and television programs into China. See "Regulation—Regulation on foreign movies and television programs." However, we have not obtained relevant approvals from GAPPRFT for introducing and broadcasting such foreign audio-visual programs. In practice, it is not uncommon for internet content providers in China to introduce and broadcast foreign audio-visual programs without such approvals. If at a later stage GAPPRFT or its local branch specifically determines and requires us to rectify and obtain the approvals for our introduction and online broadcasting of overseas audio-visual programs, we may not be able to obtain such approval in a timely manner or at all. In such case, the PRC government would have the power to, among other things, levy fines against us, confiscate our income, order us to cease certain content service, or require us to temporarily or permanently discontinue the affected portion of our business.

Pursuant to the relevant PRC regulations promulgated by the State Council Information Office, or SCIO, internet news information service entities engaging in news publishing services,

current political news bulletin board services or dissemination of current political news to the public via internet are required to obtain an internet news license from SCIO. See "Regulation—Regulation on internet news dissemination." The content we currently provide on our websites include some current political news from third party news providers. Currently we do not hold an internet news license from SCIO and we plan to apply for such internet news license. However, we cannot assure you that we will be able to obtain such license in a timely manner or at all. If we fail to obtain such license or fail to timely remove the current political news related content due to the large volume of content we provide, we may be ordered by SCIO or the local SCIO branches at the provincial level to cease any internet news services, and in severe cases, as determined by SCIO or the local SCIO branches in writing, MIIT may order us to cease all the internet information services or require the internet service provider to disconnect us from the internet.

If the PRC government considers that we were operating without the proper licenses or approvals or promulgates new laws and regulations that require additional licenses or imposes additional restrictions on the operation of any part of our business, it has the power to, among other things, levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material and adverse effect on our results of operations. 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.

Concerns about collection and use of personal data could damage our reputation, deter current and potential users from using our services and substantially harm our business and results of operations.

Pursuant to the applicable PRC laws and regulations concerning the collection, use and sharing of personal data, our PRC subsidiaries and affiliated entities are required to keep our users' personal information confidential and are prohibited from disclosing such information to any third parties without the users' consent. In December 2012 and July 2013, new laws and regulations were issued by the standing committee of the PRC National People's Congress and MIIT to enhance the legal protection of information security and privacy on the internet. The laws and regulations also require internet operators to take measures to ensure confidentiality of information of users. 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.

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 concerns about the security of personal data could also lead to a decline in general usage of our products and services, which could lead to lower user numbers. For example, if the PRC government authorities require real-name registration by our users, our user numbers may decrease and our business, financial condition and results of operations may be adversely affected. See "—Risks Related to Doing Business in China—We may be adversely

affected by the complexity, uncertainties and changes in PRC regulations of internet-related business and companies." In addition, we may become subject to the data protection or personal privacy laws of jurisdictions outside of China, where more stringent requirements may be imposed on us and we may have to allocate more resources to comply with the legal requirements, and our user numbers may further decrease. A significant reduction in user numbers could have a material adverse effect on our business, financial condition and results of operations.

We face risks relating to third parties' billing and payment systems.

We depend on the billing and payment systems of third parties such as online third-party payment processors to maintain accurate records of payments of sales proceeds by subscribers and other paying users and collect such payments. We receive periodic statements from these third parties which indicate the aggregate amount of fees that were charged to subscribers and other paying users of our products and services. Our business and results of operations could be adversely affected if these third parties fail to accurately account for or calculate the revenues generated from the sales of our products and services. If there are security breaches or failure or errors in the payment process of these third parties, user experience may be affected and our business results may be negatively impacted.

Failure to timely collect our receivables from third parties whose billing and payment systems we use and third-party payment processors may adversely affect our cash flows. Our third-party payment processors may from time to time experience cash flow difficulties. Consequently, they may delay their payments to us or fail to pay us at all. Any delay in payment or inability of current or potential third-party payment processors to pay us may significantly harm our cash flow and results of operations.

The channels for the payment of our services and products typically comprise of third-party online system, fixed phone line and mobile phone payment. Although we have been able to control our payment handling fees by encouraging our subscribers to use the third-party online system, which charges relatively less amount of handling fees compared with other payment channels, the subscribers may change their habits to make payments through mobile phones or other channels with higher costs. Approximately 32%, 36%, 18% and 18% of the payments were made by our subscribers via distribution channels such as mobile service operators in 2011, 2012, 2013 and the three months ended March 31, 2014, respectively. If a majority of subscribers use the mobile phone as their payment channels and the cost remains unchanged or even increases in the future, our cost of operations may significant increase. If we fail to minimize the associated payment handling fees and further diversify the payment channels, our business, prospects and results of operations may be adversely affected.

We also do not have control over the security measures of our third-party payment service providers, and 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 all of the online payment systems that we use. If a well-publicized internet security breach were to occur, users concerned about the security of their online payments may become reluctant to purchase our products through payment service providers even if the publicized breach did not involve payment systems or methods used by us. In addition, there may be billing software errors that would damage customer confidence in these payment systems. If any of the above were to occur and damage our reputation or the perceived security of the payment systems we use, we

may lose paying users and users may be discouraged from purchasing our internal mobile products, which may have an adverse effect on our business and results of operations.

If we are unable to collect accounts receivable in a timely manner or at all, our financial condition, results of operations and prospects may be materially and adversely affected.

A large portion of our advertising revenues are generated from a limited number of advertising agencies. We typically enter into advertising agreements with third-party advertising agencies that represent the advertisers, and under these agreements, the advertising fees are paid to us by the advertising agencies after we deliver our services. In consideration for the third-party advertising agencies' services, we pay them rebates based on the value of business they bring to us. Thus, the financial soundness of our advertisers and advertising agencies with whom we sign these advertising contracts may affect our collection of accounts receivable. We make a credit assessment of our advertisers and advertising agencies to evaluate the collectability of the advertising service fees before entering into any advertising contract. However, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each advertising agency or advertiser, as applicable, and any inability of advertisers or advertising agencies, especially those that accounted for a significant percentage of our amounts receivables in the past, to pay us in a timely manner may adversely affect our liquidity and cash flows. Recently, the financial conditions of a limited number of our small to medium size advertising agency customers have deteriorated. This has adversely affected the collectability of our accounts receivables from them, and consequently lowered our operating margins and profits. In addition, the online advertising market in China is dominated by a small number of large advertising agencies. If the large advertising agencies that we have business relationships with demand higher rebates for their agency services, our results of operations will be materially and adversely affected.

Our continual expansions based on our subscription-based revenue model would require more capital investment. However, we may not be able to generate sufficient returns and offset these additional capital investment, or to obtain sufficient capital to meet the additional capital requirements of these changes to our business.

In order to implement our development strategies to expand our infrastructure and services across internet-enabled devices, and to further accelerate the conversion of our users into subscribers, we will make continual capital investments in terms of acquiring additional bandwidth to support our subscription services and more research and development efforts into investigating user needs and more frequent updates to subscriber-only services. We may also need additional capital to purchase more content for our online content library. In addition, our plan to provide more diversified and enhanced value-added services, such as more exclusive online games offering, requires large amount of capital expenditures. Thus, we will continue to incur substantial capital expenditures on an ongoing basis, and it may become difficult for us to meet such capital requirements.

To date, we have financed our operations primarily through private placements of preferred shares to investors, cash flow from operations and bank loans. However, if we fail to retain a sufficient number of new users, attract new subscribers and convert such users into paying users or subscribers, we may not be able to generate sufficient revenues to cover our investment in various expansion efforts, and our business may be materially and adversely affected.

We may obtain additional financing, including from equity offerings and debt financings in capital markets, to fund the operation and planned expansion of our business. Our ability to obtain additional financing in the future, however, is subject to a number of uncertainties, including:

- our future business development, financial condition and results of operations;
- general market conditions for financing activities by companies in our industry; and
- macroeconomic, political and other conditions in China and elsewhere.

If we cannot obtain sufficient capital to meet our capital expenditure needs, we may not be able to execute our growth strategies and our business, results of operations and prospects may be materially and adversely affected.

Our costs and expenses, such as bandwidth costs, content costs and research and development expenses, may increase and our results of operations may be adversely affected.

The operation of our extensive resource discovery network and our online video and online game business require significant upfront capital expenditures as well as continual, substantial investment in content, technology and infrastructure. Since inception, we have invested substantially in research and development to maintain our technology leadership, in equipment to increase our network capacity and in expanding the content library for our online video business. Most of our capital expenditures, such as expenditures on servers and other equipment and license fees for professionally produced digital media content, are based upon our estimation of potential future demand and we are generally required to pay the entire purchase price and license fees up front. As a result, our cash flow may be negatively affected in the periods in which such payments are made. We may not be able to quickly generate sufficient revenue from such expenditures, which may negatively affect our results of operations within certain periods thereafter; and if we over-estimate future demand for our services, we may not be able to achieve expected rates of return on our capital expenditures, or at all.

In addition, content license fees and bandwidth and other costs are subject to change and are determined by market supply and demand. The market prices for professionally produced digital media content, especially popular movies, television serial dramas and other shows, have increased significantly in China during the past few years. Due to the improving monetization perspective of online video advertising, online video operators are generating more revenues and are competing aggressively to license popular movies, television serial dramas and other shows, and the increasingly intense content bidding process has in turn led to increases in license fees of professionally produced content in general. Moreover, as the market develops, the expectations of copyright owners, distributors and industry associations may continue to rise, and as such they may demand higher licensing fees for professionally produced digital media content. These factors, together with our plan to expand our content library, will result in increased content costs. In addition, if bandwidth and other providers cease their business with us or raise the prices of their products and services, we will incur additional costs to find alternative service providers or to accept the increased costs in order to provide our services. If we cannot pass on the increased costs and expenses to our users and advertisers, or if our costs to deliver our services do not decline commensurate with any future declines in the prices we charge our users and advertisers, we may fail to achieve profitability.

We may not be able to successfully address the challenges and risks we face in the online games market, such as a failure to successfully implement our plan to acquire exclusive rights to operate and sub-license games or to obtain all the licenses required to operate online games, which may subject us to penalties from relevant authorities, including the discontinuance of our online game business.

Before 2010, we mainly entered into non-exclusive agreements with smaller online game developers to operate their games on our websites. Starting in 2010, we started to enter into exclusive operating agreements with online game developers so that we can gain exclusive rights to certain online games and, in addition to offering these games on our own websites, also have the option of sub-licensing these games to other websites to diversify our game revenue stream. Exclusive arrangements of this type require more initial capital investment in acquiring operating rights for the games, and involve more business risks, such as risks associated with the potential failure to find appropriate sub-licensees for the games or failure to engage a sufficient number of game players to make these games profitable for us. We expect that we will continue to make investments to acquire operating rights under such exclusive operating arrangements. If we are unable to generate sufficient revenues in these markets to obtain sufficient return for our investments, our future results of operations and financial condition could be materially and adversely affected.

In addition, to operate online games in China, a variety of permits and approvals are required. For example, publication of online games, music works and other internet publishing activities are subject to the regulation of the GAPPRFT, which requires operators of online games and other internet publishing services to obtain an internet publication license prior to providing any such services. See "Regulation—Regulation on internet publication". Shenzhen Xunlei has obtained an internet publication license for the publication of internet games and is in the process of applying for expansion of the business scope therein to include the publication of music works and other internet publishing activities, and Xunlei Games Development (Shenzhen) Co., Ltd., or Xunlei Games, is in the process of applying for the internet publication license for its publication of online games. However, there is no assurance that we will be granted such licenses. Applicable regulations also specify that each online game must be screened and approved in advance by GAPPRFT before it is allowed to be launched online. Also, an imported online game should be approved in advance by MOC before its initial operation while a domestically developed online game should be filed with MOC within 30 days of commencing operations. See "Regulation—Regulation on online games." We license from online game developers and operate MMOGs, and we share profits with these developers. We require developers of certain online games to obtain the requisite approvals from GAPPRFT, and make the filings with MOC, for relevant online games. As of the date of this prospectus, most of our online games currently in operation exclusively by us have obtained GAPPRFT's approval and completed filing with MOC. However, we cannot assure you that we or such online game developers can obtain GAPPRFT's approvals or complete the filings with MOC for all the games in a timely manner or at all. If we or such online game developers fail to obtain these licenses, approvals or filings in a timely manner or at all, the relevant authority may challenge the commercial operation of our online games and determine that we are in violation of the relevant laws and regulations regarding online games, it would have the power to, among other things, levy fines against us, confiscate our income generated from operation of our online games and require us to discontinue our online game business.

We operate in a competitive market and may not be able to compete effectively.

We face significant competition in different areas of our business. Although we currently have a leading presence in the China market for cloud acceleration products and services, we cannot guarantee we will be able to maintain our leading position in the future. We may face potential competition from leading Chinese internet companies if they start to allocate resources and focus on the development in this business sector, such as Tencent and Baidu. With more entrants into the cloud acceleration business, aggressive price cutting by competitors may result in the loss of our existing subscribers. We may have to take actions to retain our user base and attract more subscribers, which could adversely affect our profitability. If we fail to compete effectively, our market share would decrease and our results of operations would be materially and adversely affected.

In addition, our Xunlei Kankan website competes with other major online video companies such as Youku.com, Tudou.com and iQiyi.com. We also face competition for advertising budgets of our advertisers from other internet companies and other forms of media.

Some of our existing or potential competitors have a longer operating history and significantly greater financial resources than we do, and in turn may be able to attract and retain more users and advertisers. Our competitors may compete with us in a variety of ways, including by conducting brand promotions and other marketing activities and making acquisitions. If we are not able to effectively compete in any aspect of our business our overall user base may shrink, which will reduce the number of our subscribers or make us less attractive to advertisers, which would have a material and adverse effect on our business, financial condition and results of operations.

Undetected programming errors or flaws or failure to maintain effective customer service could harm our reputation or decrease market acceptance of our services, particularly our resource discovery network and our online video website, which would materially and adversely affect our results of operations.

Our programs may contain programming errors that may only become apparent after their release, especially in terms of upgrades to, for example, Xunlei Accelerator or cloud acceleration subscription services. We receive user feedback in connection with programming errors affecting their user experience from time to time, and such errors may also come to our attention during our monitoring process. However, we cannot assure you that we will be able to detect and resolve all these programming errors effectively or in a timely manner. Undetected programming errors or defects may adversely affect user experience and cause our users to stop using our services and our advertisers to reduce their use of our services, any of which could materially and adversely affect our business and results of operations.

Advertisements we display may subject us to penalties and other administrative actions.

Under PRC advertising laws and regulations, advertisement channels such as us are obligated to monitor the advertising content they display to ensure that such content is true, accurate and in full compliance with applicable laws and regulations. PRC advertising laws and regulations set forth certain content requirements for advertisements in the PRC including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. In providing advertising services, we are required to review the

supporting documents provided to us by advertising agencies or advertisers for the relevant advertisements and verify that the content of the advertisements complies with applicable PRC laws and regulations. Prior to distributing advertisements that are subject to government censorship and approval, we are obligated to verify that such censorship has been performed and approval has been obtained. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, the State Administration for Industry and Commerce, or the SAIC, or its local branches may revoke violators' licenses or permits for their advertising business operations.

To fulfill these monitoring functions specified by the PRC laws and regulations set forth above, we employ several measures. Almost all of our advertising contracts require that advertising agencies or advertisers that contract with us: (i) must ensure the advertising content provided to us is true, accurate and in full compliance with PRC laws and regulations; (ii) ensure such content does not infringe any third-party's rights and interests; and (iii) indemnify us for any liabilities arising from such advertising content. In addition, a team of our employees reviews all advertising materials to ensure the content does not violate relevant laws and regulations before displaying such advertisements. However, we cannot assure you that all the content contained in such advertisements is true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the application of these laws and regulations, and we have occasionally received fines for certain inappropriate advertisements posted on Xunlei Kankan, and may be subject to similar fines and penalties in the future. If we are found to be in violation of applicable PRC advertising laws and regulations in the future, we may be subject to penalties and our reputation may be harmed, which may have a material and adverse effect on our business, financial condition and results of operations.

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

We have granted share-based compensation awards, including share options and restricted shares, to various employees, key personnel and other non-employees to incentivize performance and align their interests with ours. We adopted a share incentive plan on December 30, 2010, or the 2010 Plan, a second share incentive plan on November 18, 2013, as supplemented, or the 2013 Plan, and a third share incentive plan on April 24, 2014, as supplemented, or the 2014 plan. Under the 2010 Plan, we are authorized to issue a maximum number of 26,822,828 common shares of our company upon the exercise of the options or other types of awards (excluding an aggregate of 8,410,200 shares already issued to the directors who are our founders upon exercise of founder options, which were not granted pursuant to the 2010 Plan). As of the date of this prospectus, options to purchase a total of 21,374,267 common shares of our company were outstanding under the 2010 Plan. Under the 2013 Plan, we are authorized to issue a maximum number of 9,073,732 restricted shares to members of our senior management, counsel or consultant to our company. Under the 2014 Plan, we are authorized to issue a maximum number of 14,195,412 restricted shares to our directors, officers, employees and advisors or consultants to our company. As of the date of this prospectus, 7,457,318 restricted shares (excluding those forfeited) have been granted to certain executive officers and other employees under the 2013 Plan. We have not granted any award under the 2014 Plan as of the date of this prospectus. Our unrecognized share-based

compensation expense amounting to US$20.4 million as of the date of this prospectus relates to the restricted shares granted under the 2013 Plan. Out of this amount, US$2.3 million of unrecognized share-based compensation expense is related to the restricted shares granted from April 1, 2014 to the date of this prospectus. All of these unrecognized expenses may be recognized upon completion of this offering if the vesting of these restricted shares is accelerated by the administrator of the 2013 Plan, and however, we have no plan to accelerate the vesting of the restricted shares upon the completion of this offering. See "Management—Share incentive plans" for detailed discussion.

After the completion of this offering, we will issue the equivalent number of common shares upon the vesting and exercise of these options. The amount of these expenses is based on the fair value of the share-based compensation award we granted. The expenses associated with share-based compensation have affected our net income and may reduce our net income in the future, and any additional securities issued under share-based compensation schemes will dilute the ownership interests of our shareholders, including holders of our ADSs. We believe the granting of incentive awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant stock options, restricted shares and other share awards 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.

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

Our success depends on the continual efforts and services of Mr. Sean Shenglong Zou, our co-founder, chairman and chief executive officer, and other members of our senior management team. If however, one or more of our executives or other key personnel are unable or unwilling to continue to provide services to us, we may not be able to find suitable replacements easily or at all. Competition for management and key personnel in our industry is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our executives or key personnel, or attract and retain experienced executives or key personnel in the future. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose advertisers, know-how and key professionals and staff members. Each of our executive officers has entered into an employment agreement (including a non-compete provision) with us. However, if any dispute arises between us and our executives or key employees, these agreements may not be enforceable in China, where these executives and key employees reside, in light of uncertainties with China's legal system.

In addition, while we often grant additional incentive shares to management personnel and other key employees after their hire dates, the initial grants are usually much larger than subsequent grants. Employees may be more likely to leave us after their initial incentive share grant fully vests, especially if the value of the incentive shares have significantly appreciated in value relative to the exercise price. If any member of our senior management team or other key personnel leaves our company, our ability to successfully operate our business and execute our business strategy could be impaired.

We may not be able to effectively identify or pursue targets for acquisitions or investment, and even if we complete such transactions, we may be unable to successfully integrate the acquired businesses into, or realize anticipated benefits to our business, which may adversely affect our growth and results of operations.

We expect to selectively acquire or invest in businesses that complement our existing business in the future. We may not, however, be able to identify suitable targets for acquisitions or investments in the future. Even if we are able to identify suitable candidates, we may be unable to complete a transaction on terms commercially acceptable to us. If we fail to identify appropriate candidates or complete the desired transactions, our growth may be impeded.

Even if we complete the desired acquisitions or investment, such acquisitions and investment may expose us to new operational, regulatory, market and geographic risks and challenges, including:

- diversion of our management's attention and other resources from our existing business;
- our inability to maintain the key business relationships and the reputation of the businesses we acquire or invest in;
- our inability to retain key personnel of the acquired or invested company;
- uncertainty of entry into markets in which we have limited or no prior experience and in which competitors have stronger market positions;
- failure to comply with laws and regulations as well as industry or technical standards of the markets into which we expand;
- our dependence on unfamiliar affiliates and partners of the companies we acquire or invest in;
- unsatisfactory performance of the businesses we acquire or invest in;
- our responsibility for the liabilities associated with the businesses we acquire, including those that we may not anticipate;
- our inability to integrate acquired technology into our business and operations;
- our inability to develop a successful business model and to monitize and generate revenues from the businesses we acquire; and
- our inability to maintain internal standards, controls, procedures and policies.

Any of these events could disrupt our ability to manage our business. These risks could also result in our failure to derive the intended benefits of the acquisitions or investments, and we may be unable to recover our investment in such initiatives or may have to recognize impairment charges as a result.

Furthermore, the financing and payment arrangements we use in any acquisition could have a negative impact on you as an investor, because if we issue shares in connection with an acquisition, your holdings could be diluted. Moreover, if we take on significant debt to finance such acquisitions, we would incur additional interest expenses, which would divert resources

from our working capital and potentially have a material adverse impact on our results of operations.

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 United States, Europe and other economies went into a recession. The recovery from the lows of 2008 and 2009 has been uneven and is facing new challenges, including the escalation of the European sovereign debt crisis since 2011 and the slowdown of the Chinese economy in 2012. It is unclear whether the Chinese economy will resume its high growth rate. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including China's. There have also been concerns over unrest in the Middle East and Africa, which have resulted in volatility in oil and other markets. There have also been concerns about the economic effect of the earthquake, tsunami and nuclear crisis in Japan and tensions in the relationship between China and Japan. The mobile internet products and services industry may be affected by economic downturns. A prolonged slowdown in the world economy, including in the Chinese economy, may lead to a reduced amount of mobile internet advertising, which could materially and adversely affect our business, financial condition and results of operations. Certain of our products and services may be viewed as discretionary by our users, who may choose to discontinue or reduce spending on such products and services during an economic downturn. In such an event, our ability to retain existing users and increase new users will be adversely affected, which would in turn negatively impact our business and results of operations.

Moreover, a slowdown or disruption in the global or Chinese economy may have a material and adverse impact on financings available to us. The weakness in the economy could erode investor 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 Chinese 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 global economic downturn or disruption or slowdown of Chinese economy.

Our operations depend on the performance of the internet infrastructure in China.

The successful operation of our business depends on the performance of the internet infrastructure and telecommunications networks in China. In China, almost all access to the internet is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision of the MIIT. Moreover, we have entered into contracts with various subsidiaries of a limited number of telecommunications service providers in each province for network-related services. On the one hand, if the internet industry in China does not grow as quickly as expected, our business and operations will be negatively affected. 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 telecommunications networks provided by telecommunications service providers. Our network and website regularly

serve a large number of users and advertisers. 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 website. However, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. If internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed. On the other hand, if the internet industry grows faster than expected and we cannot react to the market demands in a timely manner in terms of our research and development effort, the user experience and the attractiveness of our services may be harmed, which will negatively impact our business and results of operations.

If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence in our company and the market price of our ADSs may be adversely affected.

We will be subject to reporting obligations under the U.S. securities laws after this offering. Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future. Prior to this offering, we have been a private company and have had limited accounting personnel and other resources with which to address our internal control over financial reporting. In preparing our consolidated financial statements, we and our independent registered public accounting firm identified one material weakness, one significant deficiency and other control deficiencies, each as defined in the standards established by U.S. Public Company Accounting Oversight Board, in our internal control over financial reporting as of December 31, 2013.

The material weakness identified related to the lack of accounting resources in U.S. GAAP and SEC reporting requirements, and the significant deficiency related to the lack of documented comprehensive U.S. GAAP accounting manuals and financial reporting procedures and lack of related implementation controls. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting material weaknesses and other control deficiencies in our internal control over financial reporting. Following the identification of the material weakness, significant deficiency and other control deficiencies, we have taken measures and plan to continue to take measures to remedy these deficiencies. For details of our proposed remedies, see "Management's discussion and analysis—Internal control over financial reporting." However, the implementation of these measures may not fully address these deficiencies in our internal control over financial reporting, and we cannot conclude that they have been fully remedied. Our failure to correct these 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. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our ADSs, may be materially and adversely affected. Moreover, ineffective internal control over financial reporting significantly hinders our ability to prevent fraud.

Upon completion 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 management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending

December 31, 2015. In addition, once we cease to be an "emerging growth company" as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. If we fail to timely achieve and maintain the adequacy of our internal controls, our management and our independent registered public accounting firm may conclude that our internal control over financial reporting is not effective. This could adversely impact the market price of our ADSs due to a loss of investor confidence in the reliability of our reporting processes. We will need to incur costs and use management and other resources in order to comply with Section 404. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs.

Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

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.

We face risks related to natural disasters such as earthquakes and health epidemics and other outbreaks, which could significantly disrupt our operations.

Our operations may be vulnerable to interruption and damage from natural and other types of catastrophes, including earthquakes, fire, floods, hail, windstorms, severe winter weather (including snow, freezing water, ice storms and blizzards), environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks and similar events. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. If any such catastrophe or extraordinary event occurs in the future, our ability to

operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our services and products to our users and could decrease demand for our products. As we do not carry property insurance and significant time could be required to resume our operations, our financial position and results of operations could be materially and adversely affected in the event of any major catastrophic event.

In addition, our business could be adversely affected by the outbreak of influenza A (H1N1), avian influenza, H7N9, severe acute respiratory syndrome (SARS) or other pandemics. Any occurrence of these pandemic diseases or other adverse public health developments in China or elsewhere could severely disrupt our staffing or the staffing of our business partners and otherwise reduce the activity levels of our work force and the work force of our business partners, causing a material and adverse effect on our business operations.

Risks related to our corporate structure

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

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in internet businesses, including the provision of online video and online advertising services. For example, foreign investors' equity interests in value-added telecommunication service providers may not exceed 50%. In addition, foreign investors are prohibited from investing in or operating entities engaged in, among others, internet cultural operating service (including online game operation services), internet news service, and production and online transmission of audio-visual programs service. We are a Cayman Islands company and Giganology Shenzhen and Xunlei Computer, our PRC subsidiaries, are considered foreign-invested enterprises. Accordingly, neither of these two PRC subsidiaries is eligible to provide value-added telecommunication services and the aforementioned internet related services in China. As a result, we conduct our operations in China principally through contractual arrangements among Giganology Shenzhen, our wholly-owned PRC subsidiary, and Shenzhen Xunlei and its shareholders. Shenzhen Xunlei holds the licenses and permits necessary to conduct our resource discovery network, online video, online advertising, online games and related businesses in China and hold various operating subsidiaries that conduct a majority of our operations in China. Our contractual arrangements with Shenzhen Xunlei and its shareholders enable us to exercise effective control over Shenzhen Xunlei and Shenzhen Xunlei's operating subsidiaries and hence treat them as our consolidated entities and consolidate their results. For a detailed discussion of these contractual arrangements, see "Corporate history and structure."

We cannot assure you, however, that we will be able to enforce these contracts. Although we believe we are in compliance with current PRC regulations, we cannot assure you that the PRC government would agree that these contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have

broad discretion in interpreting these laws and regulations. If the PRC government determines that we do not comply with applicable laws and regulations, it could revoke our business and operating licenses, require us to discontinue or restrict our operations, restrict our right to collect revenues, block our website, require us to restructure our operations, impose additional conditions or requirements with which we may not be able to comply, or take other regulatory or enforcement actions against us that could be harmful to our business. The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business.

We rely on contractual arrangements with our variable interest entities in China and its shareholders for our operations, which may not be as effective as direct ownership in providing operational control.

Since PRC laws restrict foreign equity ownership in companies engaged in internet business in China, we rely on contractual arrangements with Shenzhen Xunlei and its shareholders to operate our business in China. If we had direct ownership of Shenzhen Xunlei, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of Shenzhen Xunlei, which in turn could effect changes at the management level, subject to any applicable fiduciary obligations. However, under the current contractual arrangements, we rely on Shenzhen Xunlei and its shareholders' performance of their contractual obligations to exercise effective control. In addition, our operating contract with Shenzhen Xunlei has a term of ten years, which is subject to Giganology Shenzhen's unilateral termination right and may be extended as requested by Giganology Shenzhen. In general, none of Shenzhen Xunlei or its shareholders may terminate the contracts prior to the expiration date. However, the shareholders of Shenzhen Xunlei may not act in the best interests of our company or may not perform their obligations under these contracts, including the obligation to renew these contracts when their initial contract term expires. Such risks exist throughout the period in which we intend to operate our business through the contractual arrangements with Shenzhen Xunlei. We may replace the shareholders of Shenzhen Xunlei at any time pursuant to our contractual arrangements with Shenzhen Xunlei and its shareholders. However, if any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. See "Any failure by Shenzhen Xunlei or its shareholders to perform their obligations under our contractual arrangements with them may have a material adverse effect on our business." Therefore, these contractual arrangements may not be as effective as direct ownership in providing us with control over Shenzhen Xunlei.

Any failure by Shenzhen Xunlei or its shareholders to perform their obligations under our contractual arrangements with them may have a material adverse effect on our business.

Shenzhen Xunlei or its shareholders may fail to take certain actions required for our business or follow our instructions despite their contractual obligations to do so. If they fail to perform their obligations under their respective agreements with us, we may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, which may not be effective. As of the date of this prospectus, Mr. Sean Shenglong Zou, our co-founder, chairman and chief executive officer, owns 76% of the equity interest in Shenzhen Xunlei, our variable interest entity. Under the equity pledge agreement among Giganology Shenzhen and the shareholders of Shenzhen Xunlei, as amended, the shareholders of Shenzhen Xunlei have pledged all of their equity interests in Shenzhen Xunlei to Giganology Shenzhen to guarantee

Shenzhen Xunlei and its shareholders' performance of their respective obligations under the related contractual arrangements. In addition, the shareholders of Shenzhen Xunlei have completed the registration of equity pledge under the equity pledge agreement with the competent governmental authority. If any of the shareholders of Shenzhen Xunlei, especially Mr. Sean Shenglong Zou due to his significant equity interest in Shenzhen Xunlei, fails to perform his or her obligations under the contractual arrangements, we may have to enforce these agreements to transfer his or her equity interests to another appointee of Giganology Shenzhen.

Moreover, the exercise of call options under the equity interests disposal agreement, the intellectual properties purchase option agreement and certain other contractual arrangements will be subject to the review and approval of competent governmental authorities and incur additional expenses.

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 environment in the PRC is not as developed as in certain 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, which may make it difficult to exert effective control over our variable interest entities, and our ability to conduct our business may be adversely affected.

Contractual arrangements with our variable interest entity may result in adverse tax consequences to us.

Under applicable PRC tax laws and regulations, arrangements and transactions among related parties may be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. See "Regulations—Regulation on tax—PRC enterprise income tax." We could face material and adverse tax consequences if the PRC tax authorities were to determine that the contractual arrangements among Giganology Shenzhen, our wholly-owned subsidiary in China, and Shenzhen Xunlei, our variable interest entity in China and its shareholders, as well as the intellectual property framework agreement between Xunlei Computer and Shenzhen Xunlei were not entered into on an arm's-length basis and therefore constituted unfavorable transfer pricing arrangements. Unfavorable transfer pricing arrangements could, among other things, result in an upward adjustment on taxation, and the PRC tax authorities may impose interest on late payments on Shenzhen Xunlei, for the adjusted but unpaid taxes. Our results of operations may be materially and adversely affected if Shenzhen Xunlei's tax liabilities increase significantly or if it is required to pay interest on late payments.

The shareholders of Shenzhen Xunlei may have potential conflicts of interest with us, which may materially and adversely affect our business.

Sean Shenglong Zou, Hao Cheng, Fang Wang, Jianming Shi and Guangzhou Shulian Information Investment Co., Ltd. are shareholders of Shenzhen Xunlei. We provide no incentives to the shareholders of Shenzhen Xunlei for the purpose of encouraging them to act in our best interests in their capacity as the shareholders of Shenzhen Xunlei. We may replace the shareholders of Shenzhen Xunlei at any time pursuant to the currently effective equity option agreements between us and these shareholders.

As a director and executive officer of our company, Mr. Zou and Mr. Cheng each has a duty of loyalty and care to us under Cayman Islands law. We are not aware that other publicly listed companies in China with a similar corporate and ownership structure as ours have brought conflicts of interest claims against the shareholders of their respective variable interest entities. However, we cannot assure you that when conflicts arise, the shareholders of Shenzhen Xunlei 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 the shareholders of Shenzhen Xunlei, 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 principally on dividends and other distributions on equity paid by our PRC subsidiaries, to fund any cash and financing requirements we may have. Any limitation on the ability of Giganology Shenzhen and Xunlei Computer to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and in the future, we may rely principally on dividends and other distributions on equity paid by our wholly-owned PRC subsidiaries including Giganology Shenzhen and Xunlei Computer, 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 Giganology Shenzhen incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements Giganology Shenzhen currently has in place with Shenzhen Xunlei, our variable interest entity, as well as the intellectual property framework agreement between Xunlei Computer and Shenzhen Xunlei, in a manner that would materially and adversely affect its ability to pay dividends and other distributions to us. As of March 31, 2014, we had cash or cash equivalents of approximately RMB474.3 million (US$77.1 million) and US$10.7 million located within the PRC, of which RMB396.9 million (US$64.5 million) is held by Shenzhen Xunlei and its subsidiaries. The transfer of all the cash or cash equivalents is subject to PRC government's restrictions on currency conversion.

Under PRC laws and regulations, Giganology Shenzhen and Xunlei Computer, as wholly foreign-owned enterprises in the PRC, may pay dividends only out of its accumulated after-tax profits as determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises such as Giganology Shenzhen and Xunlei Computer are required to set aside at least 10% of their accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of their respective registered capital. At their discretion, wholly foreign-owned enterprises may allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. Any limitation on the ability of Giganology Shenzhen and Xunlei Computer 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 also "—Risks related to doing business in China—Our global income may be subject to PRC taxes under the PRC EIT Law, which may have a material adverse effect on our results of operations."

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

In utilizing the proceeds we receive from this offering in the manner described in "Use of proceeds," as an offshore holding company with PRC subsidiaries, we may (i) make additional capital contributions to our PRC subsidiaries, (ii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, (iii) make loans to our PRC subsidiaries or variable interest entities, or (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

- capital contributions to our PRC subsidiaries, whether existing ones or newly established ones, must be approved by the PRC Ministry of Commerce or its local counterparts;
- loans by us to our PRC subsidiaries, which are foreign-invested enterprises, to finance their respective activities cannot exceed statutory limits and must be registered with the PRC State Administration of Foreign Exchange, or SAFE, or its local branches; and
- loans by us to our variable interest entities, which are domestic PRC entities, must be approved by the National Development and Reform Commission and must also be registered with SAFE or its local branches.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into Renminbi by restricting how the converted Renminbi may be used. SAFE Circular 142 provides that the Renminbi capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and unless otherwise provided by law, such Renminbi capital may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from foreign currency registered capital of a foreign-invested company. The use of such Renminbi capital may not be altered without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 could result in severe monetary or other penalties. We expect that if we convert the net proceeds we receive from this offering into Renminbi pursuant to SAFE Circular 142, our use of Renminbi funds will be for purposes within the approved business scope of our PRC subsidiaries. The business scopes of Giganology Shenzhen and Xunlei Computer include "technical services," which we believe permits Giganology Shenzhen to purchase or lease servers and other equipment for its own technical data and research and to provide operational support to our variable interest entities.

However, we may not be able to use such Renminbi funds to make equity investments in the PRC through our PRC subsidiaries.

We may lose the ability to use and enjoy assets held by our affiliated PRC entities that are important to the operation of our business if any of such entities goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with our variable interest entities, these entities hold certain assets that are important to the operation of our business, including patents for the proprietary technology and related domain names and trademarks. If any of our variable interest entity or its subsidiaries goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, our variable interest entity and its subsidiaries may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If any of our variable interest entities undergoes a voluntary or involuntary liquidation proceeding, the unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

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 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 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 subsidiaries and variable interest entities in China. Our operations in China are governed by PRC laws and regulations. Giganology Shenzhen is a foreign-invested 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 under the civil law system 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. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual or tort rights. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us.

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 and may have retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

We believe that our patents, trademarks, trade secrets, copyrights, and other intellectual property are important to our business. We rely on a combination of patent, trademark, copyright and trade secret protection laws in China and other jurisdictions, as well as confidentiality procedures and contractual provisions to protect our intellectual property and our brand. Protection of intellectual property rights in China may not be as effective as in the United States or other jurisdictions, and as a result, we may not be able to adequately protect our intellectual property rights, which could adversely affect our revenues and competitive position.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulations of internet-related 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 in violations of applicable laws and regulations. Issues, risks and uncertainties relating to PRC regulation of the internet business include, but are not limited to, the following:

- We only have contractual control over our resource discovery network and Xunlei Kankan. We do not own the resource discovery network or the Xunlei Kankan website 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 business in China, including evolving licensing practices and the requirement for real-name registrations. This means that permits, licenses or operations at some of our companies may be subject to challenge, or we may fail to obtain permits or licenses that may be deemed necessary for our operations or we may not be able to obtain or renew certain permits or licenses. If we fail to maintain any of these required licenses or approvals, we may be subject to various penalties, including fines and discontinuation of or restriction on our operations. Any such disruption in our business operations may have a material and adverse effect on our results of operations. For example, we are providing mobile applications to mobile device users free of charge and we do not believe we, as an internet content provider, or ICP, need to obtain a separate operating license in addition to the operating licenses for the value added telecommunications service, or the ICP Licenses, which we have already obtained. Although we believe this is in line with the current market practice, there can be no assurance that we will not be required to apply for an operating license for our mobile applications in the future and if so, we may not qualify or succeed in obtaining such license.

- New laws and regulations may be promulgated that will regulate internet activities, including online video, 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 after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties.

- In June 2010, MOC promulgated the Provisional Measures on the Administration of Online Games, or the Online Game Measures, which became effective on August 1, 2010. The Online Game Measures provide that any entity engaging in online game operation activities should obtain an Online Culture Operating Permit and must meet certain requirements such as a minimum amount of the registered capital. Online game developers are generally involved in the purchase of servers and bandwidth, the control and management of game data, the maintenance of game systems and certain other maintenance tasks in our operation of online games. There exist uncertainties on MOC's interpretation and implementation of these measures. If MOC determines in the future that such Online Culture Operating Permit or relevant requirement apply to the online game developers for their involvement in the online game operations, we may have to terminate our revenue sharing arrangements with certain unqualified online game developers and may even be subject to various penalties, which may negatively impact our results of operations and financial condition.

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. For example, in September 2009, GAPPRFT and the National Office of Combating Pornography and Illegal Publications jointly published a notice, or Circular 13, which expressly prohibits foreign investors from participating in internet game operating business via wholly owned, equity joint venture or cooperative joint venture investments in China, and from controlling and participating in such businesses directly or indirectly through contractual or technical support arrangements. Other government agencies with substantial regulatory authority over online game operations and foreign investment entities in China, such as MIIT and MOC, did not join GAPPRFT in issuing Circular 13. While Circular 13 is applicable to us and our online game business on an overall basis, to date, GAPPRFT has not issued any interpretation of Circular 13 and, to our knowledge, has not taken any enforcement action under Circular 13 against any company that relies on contractual arrangements with affiliated entities to operate online games in China. 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 required under 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 internet business.

Regulation and censorship of information disseminated over the internet in China may adversely affect our business, and we may be liable for videos and other digital media content that are displayed on our platform.

China has enacted regulations governing telecommunication service providers, internet and wireless access and the distribution of news and other information. Under these regulations, ICPs like us, are prohibited from posting or displaying over the internet or wireless networks content that, among other things, violates PRC laws and regulations. If an ICP finds that prohibited content is transmitted on its website or stored in its electronic bulletin service system, it must terminate the transmission of such information or delete such information immediately and keep records and report to relevant authorities. Failure to comply with these requirements could result in the revocation of the ICP License and other required licenses and the closure of the offending websites. Cloud network operators or website operators may also be held liable for prohibited content displayed on, retrieved from or linked to such network or website. Since December 2009, the Chinese government has been increasing its efforts on cracking down inappropriate content disseminated over the internet and wireless networks.

Subject to interpretation by the relevant authorities, it may not be possible for us to determine in all cases the type of content that could result in liability for us. In addition, we may not be able to control or restrict all of the digital media content generated or placed on our network by our users, despite our attempt to monitor such content. To the extent that regulatory authorities find any portion of our content on our network or website objectionable or requiring any license or permit that we have not obtained, they may require us to limit or eliminate the dissemination of such information or otherwise curtail the nature of such content, and keep records and report to relevant authorities, which may reduce our user traffic. In addition, we may be subject to significant penalties for violations of those regulations arising from prohibited content displayed on, retrieved from or uploaded to our

network or website, including a suspension or shutdown of our operations. The enforcement activities may be intensified in connection with any ongoing government campaigns. For example, in April 2014, the Chinese government initiated a campaign to enhance and enforce its scrutiny on the dissemination of pornographic content on the internet in China. As a result, various literary and visual and audio content websites, including certain widely known websites, were subject to administrative penalties ranging from fines to proposed license revocation to suspension of website operations, due to unhealthy and indecent content on these websites. We conducted an internal compliance investigation in order to ensure that the content transmitted by our products are in compliance with the standards set out by the authorities. As of the date of this prospectus, we have not received any warning or order from any government authorities. However, we cannot be sure that our internal investigation was sufficient to remove all content that may be viewed unhealthy, indecent or otherwise problematic. In addition, while we maintain a regular internal monitoring and compliance protocol, we cannot ascertain that we would not fall foul of any changing or new government regulations or standards in the future. If we receive a public warning from the relevant government authorities or our licenses for acceleration or online video streaming services are revoked, our reputation would be harmed and if the operation of our acceleration or online video streaming services is suspended, our revenues and results of operation may be materially and adversely affected. Furthermore, the internal compliance investigation and the removal of content may have a material impact on our cloud acceleration services in future periods, which in turn may have an adverse effect on our revenues and results of operations.

We may be sued by our game players and held liable for losses of virtual assets by such players, which may negatively affect our reputation and business, financial condition and results of operations.

While playing online games or participating in other online activities, players acquire and accumulate some virtual assets, such as special equipment and other accessories. Such virtual assets may be important to online game players and have monetary value and, in some cases, are sold 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 the legal owner of virtual assets is, 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. Based on recent PRC court judgments, the courts have typically held online game operators liable for losses of virtual assets by game players, and ordered online game operators to return the lost virtual items to game players or pay damages and losses. In case of a loss of virtual assets, we may be sued by our game players or users and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations.

Non-compliance with the laws or regulations governing virtual currency may result in penalties that could have a material adverse effect on our online games business and results of operations.

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, MOC, MIIT and GAPPRFT 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 virtual currency could be used for money laundering or illicit trade, the circular (a) prohibits online game operators from charging commissions in the form of virtual currency in relation to winning or losing of games; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players to transfer virtual currency to other players. On June 4, 2009, MOC and the Ministry of Commerce jointly issued a notice regarding strengthening the administration of online game virtual currency, or the Virtual Currency Notice. Furthermore, MOC issued the Online Game Measures in June 2010, which provides, among other things, that virtual currency issued by online game operators may only be 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 our clients for them to purchase various items to be used in online games and premium services. 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 a virtual currency transaction, then we may be deemed to be engaging in the issuance of virtual currency and 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 online games 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. Although we believe that we are generally in compliance with such requirements and have taken adequate measures to prevent 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 online games business and results of operations.

Intensified government regulation of the internet industry in China could restrict our ability to maintain or increase user traffic to Xunlei Kankan or the number of users to our online games.

The PRC government has, in recent years, intensified regulation on various aspects of the internet industry in China. For example, in January 2011, MIIT and seven other PRC central government authorities jointly issued a circular entitled Implementation Scheme regarding Parental Guardianship Project for Minors Playing Online Games, under which online game operators are required to adopt various measures to maintain a system to communicate with the parents or other guardians of minors playing their online games and are required to monitor the online game activities of minors and suspend the accounts of minors if so required by their parents or guardians. These restrictions could limit our ability to increase our online game business among minors. See "Regulation—Regulation on anti-fatigue system, real-name registration system and parental guardianship project." Failure to implement these restrictions, if detected by the relevant government agencies, may result in fines and other penalties for us, including the shutting down of our online games operations and license revocation. 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.

In addition, the PRC government has tightened its regulation of internet cafes in recent years. In particular, a large number of unlicensed internet cafes have been closed. The PRC government has imposed higher capital and facility requirements for the establishment of internet cafes. Furthermore, the PRC government's policy, which encourages the development of a limited number of national and regional internet cafe chains and discourages the establishment of independent internet cafes, may slow down the growth of internet cafes in China. In June 2002, the Ministry of Culture, together with other government authorities, issued a joint notice, and in February 2004, the State Administration for Industry and Commerce issued another notice, suspending the issuance of new internet cafe licenses. In May 2007, the State Administration for Industry and Commerce reiterated its position not to register any new internet cafes in 2007. In 2008, 2009 and 2010, the Ministry of Culture, the State Administration for Industry and Commerce and other relevant government authorities, individually or jointly, issued several notices that provide various ways to strengthen the regulation of internet cafes, including investigating and punishing internet cafes that accept minors, cracking down on internet cafes without sufficient and valid licenses, limiting the total number of internet cafes and approving internet cafes within the planning made by relevant authorities, screening unlawful and adverse games and websites, and improving the coordination of regulation over internet cafes and online games. Although currently most of our users access and consume our products and services from their own devices, if internet cafes become one of the main venues for our users to access our website or online games, any reduction in the number, or any slowdown in the growth, of internet cafes in China could limit our ability to maintain or increase user traffic to Xunlei Kankan or the number of users for our online games.

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

Fluctuation in the value of the Renminbi may have a material adverse effect on the value of your investment. The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under this policy, the Renminbi was permitted to fluctuate

within a narrow and managed band against a basket of certain foreign currencies. For almost two years after reaching a high against the U.S. dollar in July 2008, the Renminbi traded within a narrow band against the U.S. dollar, remaining within 1% of its July 2008 high. As a consequence, the Renminbi fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. In June 2010, the PRC government announced that it would increase Renminbi exchange rate flexibility and since that time the Renminbi has gradually appreciated against the U.S. dollar. However, it remains unclear how this flexibility might be implemented. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in greater fluctuation of the Renminbi against the U.S. dollar.

Our financial statements are expressed in U.S. dollars, and most of our assets, costs and expenses are denominated in Renminbi. Substantially all of our revenues were denominated in Renminbi. We principally rely on dividends and other distributions paid by our subsidiaries in China which are denominated in Renminbi. Our results of operations and the value of your investment in our ADSs will be affected by the foreign exchange rate between U.S. dollars and Renminbi. To the extent we hold assets denominated in Renminbi, any depreciation of the Renminbi against the U.S. dollar could result in a reduction in the value of our Renminbi denominated assets. Similarly, should we repatriate any portion of the net proceeds to us from this offering or cash from other offshore financing activities into China, such amount would also be affected by shifts in the exchange rate between the Renminbi and the U.S. dollar. On the other hand, a decline in the value of Renminbi against the U.S. dollar could reduce the U.S. dollar equivalent amounts of our financial results, the value of your investment in our company and the dividends we may pay in the future, if any, all of which may have a material adverse effect on the prices of our ADSs.

Limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. We did not enter into any forward contracts to hedge our exposure to Renminbi-U.S. dollar 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 successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

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 Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our wholly-owned PRC subsidiaries, to fund any cash and financing requirements we may have. 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. However, approval from or registration with appropriate government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Specifically, under the existing exchange restrictions, without prior approval

of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends by our PRC subsidiaries to our company and pay employees of our PRC subsidiaries who are located outside China in a currency other than the Renminbi. With prior approval from SAFE, cash generated from the operations of our PRC subsidiaries and affiliated entity may be used to pay off debt in a currency other than the Renminbi owed by our PRC subsidiaries and variable interest entities to entities outside China, and make other capital expenditures outside China in a currency other than the Renminbi. If our variable interest entity liquidates, the proceeds from the liquidation of its assets may be used outside of the PRC or be given to investors who are not PRC nationals. The PRC government may 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 CSRC, promulgated the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules, among other things, require 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 the M&A Rules remains unclear. Our PRC legal counsel has advised us that, based on their understanding of the current PRC laws, rules and regulations:

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

- given that (i) our PRC subsidiaries were directly established by us as wholly foreign-owned enterprises, and we have not acquired any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are our beneficial owners after the effective date of the M&A Rules and (ii) no provision in this regulation clearly classifies contractual arrangements as a type of transaction subject to this regulation, we are not required to submit an application to CSRC for its approval of the listing and trading of our ADSs on the NASDAQ Global Market.

Our PRC legal counsel also advised that because there has been no official interpretation or clarification of the M&A Rules since adoption, there is uncertainty as to how these rules will be interpreted or implemented. If it is determined that the CSRC approval is required for this offering, we may face sanctions by 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 (although to our knowledge, no definitive rules or interpretations have been issued to determine or quantify such fines or penalties), 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 PRC subsidiaries, or other actions that may 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. 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.

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

Among other things, the M&A Rules and certain regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require 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. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress on August 30, 2007 and took effect on August 1, 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be cleared by the Ministry of Commerce before they can be completed. In addition, according to the Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises issued by the Ministry of Commerce in August 2011, mergers and acquisitions by foreign investors involved in an industry related to national security are subject to strict review by the Ministry of Commerce. These rules also prohibit any transactions attempting to bypass such security review, including by controlling entities through contractual arrangements. We believe that our business is not in an industry related to national security. However, we cannot preclude the possibility that the Ministry of Commerce or other government agencies may publish interpretations contrary to our understanding or broaden the scope of such security review in the future. Although we have no current definitive plans to make any acquisitions, we may elect to grow our business in the future 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.

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

SAFE has promulgated several regulations that 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 and may apply to any offshore acquisitions that we make in the future. Under these foreign exchange regulations, PRC residents who make, or have previously made prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore special purpose vehicles, or SPVs, will be required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update the previously filed registration with the local branch of SAFE, with respect to that SPV, to reflect any material change. Moreover, the PRC subsidiaries of that SPV are required to urge the PRC resident shareholders to update their registration with the local branch of SAFE. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiaries of that SPV may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their SPV parent, and the SPV may also be prohibited from injecting additional capital into its PRC subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liabilities for such PRC subsidiaries under PRC laws for evasion of applicable foreign exchange restrictions. Furthermore, the persons-in-charge and other persons at such PRC subsidiaries who are held directly liable for the violations may be subject to criminal sanctions.

These foreign exchange regulations provide that PRC residents include both PRC citizens and individuals who are non-PRC citizens but primarily reside in the PRC due to their economic ties to China. We have requested PRC residents holding direct or indirect interest in our company to our knowledge to make the necessary applications, filings and amendments as required under SAFE regulations. Mr. Sean Shenglong Zou, Mr. Hao Cheng and Ms. Fang Wang have completed the registration and amendment registration with the local SAFE branch in relation to all our previous private financings and their subsequent ownership changes by April 2012 as required under the SAFE regulations and are in the process of applying for the relevant amendment registrations with the local SAFE branch in relation to their ownership changes in our Company and our series E financing after April 2012. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurances that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by SAFE regulations. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements under SAFE regulations may subject such PRC residents or our PRC subsidiaries to fines and legal sanctions and may also limit our ability to raise additional financing and contribute additional capital into or provide loans to (including using the proceeds from this offering) our PRC subsidiaries, limit our PRC subsidiaries' ability to pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

Furthermore, because of the uncertainty over how the SAFE regulations will be interpreted and implemented, and how SAFE will apply them to us, we cannot predict how these regulations will affect our business operations or future strategies. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. 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 stock 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 People's Bank of China promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, which set forth the respective requirements for foreign exchange transactions by individuals (both PRC or non-PRC citizens) under either the current account or the capital account. On February 15, 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted stock options will be subject to these regulations upon the completion of this offering. Failure of our PRC stock option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business.

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

We face uncertainties on the reporting and consequences on private equity financing transactions, private share exchange transactions and private transfer of shares, including private transfer of public shares, in our company by non-resident investors. According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, with retroactive effect from January 1, 2008, or SAT Circular 698, where a non-resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of equity interests in an overseas holding company in a non-public market, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (a) has an effective tax rate less than 12.5% or (b) does not tax foreign income of its residents, the non-resident enterprise, as the seller, shall report such Indirect Transfer to the competent tax authority of the PRC resident enterprise within 30 days of execution of the equity transfer agreement for such Indirect Transfer. However, the term "Indirect Transfer" is not clearly defined, and it is understood that the relevant PRC tax

authorities have the authority to request information on a wide range of foreign entities that have no direct contact with the PRC. Moreover, the tax authorities have not yet promulgated any formal provisions or made any formal announcement as to the procedure for reporting an Indirect Transfer to the relevant tax authority. In addition, there are no official interpretations concerning how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. Given the aforementioned uncertainties with respect to the interpretation and application of the SAT Circular 698, we cannot determine whether our offshore transactions where non-resident investors were involved should be subject to the SAT Circular 698, nor can we identify the filing procedures related thereto. Therefore, neither we nor our non-resident investors have undertaken the filing formalities for our offshore transactions. Nevertheless, SAT Circular 698 may be determined by the tax authorities to be applicable to our offshore transactions where non-resident investors were involved. The PRC tax authorities may request non-resident investors to conduct a filing regarding the transactions and request our PRC subsidiaries to assist in the filing. In addition, if the tax authorities consider that the foreign investor has adopted an abusive arrangement without reasonable commercial purposes and for the purpose of avoiding or reducing PRC tax, they will disregard the existence of the overseas holding company that is used for tax planning purposes and recharacterize the Indirect Transfer. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at the rate of up to 10% and our relevant subsidiaries or variable interest entities may be held liable for paying such tax. SAT Circular 698 also provides that when a non-resident enterprise transfers its equity interests in a PRC resident enterprise to a related party at a price lower than the fair market value, the competent tax authorities have the power to make a reasonable adjustment to the taxable income of the transaction. As a result, we and our non-resident investors may be at risk of being taxed under SAT Circular 698 and may have to expend additional resources and costs to comply with SAT Circular 698 or to establish that we and our non-resident investors should not be taxed under SAT Circular 698, which may have a material adverse effect on our financial condition and results of operations or non-resident investors' investments in us.

Discontinuation or reduction of any of the preferential tax treatments or other government incentives available to us in the PRC, or imposition of any additional PRC taxes could adversely affect our financial condition and results of operations.

The Chinese government has provided various tax incentives to our subsidiaries in China. These incentives include reduced enterprise income tax rates. For example, under the PRC Enterprise Income Tax Law which became effective in January 2008, or the EIT Law, the statutory enterprise income tax rate is 25%. The EIT Law permits companies established before March 16, 2007 to continue to enjoy their existing tax incentives, adjusted by certain transitional phase-out rules set forth in the Circular to Implementation of the Transitional Preferential Policies for the Enterprise Income Tax promulgated by the State Council on December 26, 2007, and provides tax incentives, subject to various qualification criteria. Pursuant to the circular, the income tax rates for us and our wholly-owned subsidiary established in the Shenzhen Special Economic Zone before March 16, 2007 were 24% for 2011 and are 25% starting from 2012. The EIT Law and its implementation rules also permit qualified "high and new technology enterprises," or HNTEs, to enjoy a preferential enterprise income tax rate of 15% upon filing with relevant tax authorities. The qualification as a HNTE generally has a valid term of three years and the renewal of such qualification is subject to review by the relevant authorities in China. Shenzhen Xunlei, our variable interest entity, obtained its HNTE certificate in

February 2011 with a valid period of three years and will apply for the renewal of the HNTE certificate in June 2014. In addition, the PRC government has provided various incentives to accredited "software enterprise" incorporated in the PRC in order to encourage development of the software industry. In December 2013, Shenzhen Xunlei obtained the certificate of the Key Software Enterprise for the years ended December 31, 2013 and 2014, which enables Shenzhen Xunlei to enjoy the preferential tax rate of 10% for the years of 2013 and 2014. Xunlei Computer has been accredited as a "software enterprise" and become profitable since 2013 and thus enjoys a two-year income tax exemption for 2013 and 2014 and a 50% income tax reduction for 2015, 2016 and 2017. Moreover, local governments have adopted incentives to encourage the development of technology companies. As approved by the relevant local tax authority, our wholly-owned subsidiary, Giganology Shenzhen, and our variable interest entity, Shenzhen Xunlei, were further exempt from enterprise income tax from the first year of profitable operation and are subject to phase-out tax reduction thereafter. Xunlei Computer and Shenzhen Xunlei currently benefit from the tax incentives. See "Management's discussion and analysis of financial condition and results of operation—Taxation." We also benefited from government incentives in the form of cash subsidies in 2011.

Preferential tax treatment and other government incentives granted to Xunlei Computer and Shenzhen Xunlei by the local governmental authorities are subject to review and may be adjusted or revoked at any time. The discontinuation or reduction of any preferential tax treatment currently available to us and our wholly-owned PRC subsidiaries will cause our effective tax rate to increase, which could have a material adverse effect on our financial condition and results of operations. We cannot assure you that we will be able to maintain our current effective tax rate in the future.

Our global income may be subject to PRC taxes under the PRC EIT Law, which may have a material adverse effect on our results of operations.

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" 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." On April 22, 2009, the SAT issued a circular, or SAT Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. See "Regulation—Regulations on Tax—PRC enterprise income tax." Although SAT Circular 82 applies only to offshore enterprises controlled by PRC enterprises or PRC enterprise groups and not to those controlled by PRC individuals or foreigners, the determining criteria set forth in the SAT 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 all offshore enterprises.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions set forth in the SAT Circular 82 are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are

subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

Xunlei Limited is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that Xunlei Limited meets all of the conditions above. Xunlei Limited is a company incorporated outside the PRC. As a holding company, certain of Xunlei Limited's key assets are located, and records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. Therefore, we do not believe Xunlei Limited should be treated as a "resident enterprise" for PRC tax purposes if the criteria for "de facto management body" as set forth in the relevant SAT Circular 82 were deemed applicable to us. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to Xunlei Limited, we may be considered a resident enterprise and may therefore be subject to the enterprise income tax at 25% on our global income. If we are considered a resident enterprise and earn income other than dividends from our PRC subsidiaries, a 25% enterprise income tax on our global income could increase our tax burden and adversely affect our cash flow and profitability. In addition to the uncertainty regarding how the new "resident enterprise" classification may apply, it is also possible that the rules may change in the future, possibly with retroactive effect.

Dividends paid by us to our foreign investors and gains on the sale of our ADSs or common shares by our foreign investors may be subject to taxes under PRC tax laws.

Under the EIT Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends paid to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Any gain realized on the transfer of ADSs or common shares by such investors is subject to PRC tax, at a rate of 10% unless otherwise reduced or exempted by relevant tax treaties, if such gain is regarded as income derived from sources within the PRC. If we are deemed a "PRC resident enterprise," dividends paid on our common shares or ADSs, and any gain realized from the transfer of our common shares or ADSs, may be treated as income derived from sources within the PRC and may as a result be subject to PRC taxation (which in the case of dividends would be withheld at source). It is unclear whether our non-PRC individual investors would be subject to any PRC tax in the event we are deemed a "PRC resident enterprise." If any PRC tax were to apply to such dividends or gains of non-PRC individual investors, it would generally apply at a rate of 20% (unless a reduced rate is available under an applicable tax treaty). It is also unclear whether, if we are considered a PRC "resident enterprise," holders of our ADSs or common shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas (and we do not expect to withhold at treaty rates if any withholding is required). If dividends payable to our non-PRC investors, or gains from the transfer of our common shares or ADSs by such investors are subject to PRC tax, the value of your investment in our common shares or ADSs may be adversely affected.

Increases in labor costs and enforcement of stricter labor laws and regulations in the PRC may adversely affect our business and our profitability.

China's overall economy and the average wage in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our users by increasing prices for our products or services, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering labor contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, or the Labor Contract law, that became effective in January 2008, as amended on December 28, 2012 and effective as of July 1, 2013, and its implementation rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practice do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

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

Auditors of companies that are registered with the Securities and Exchange Commission, or the SEC, and traded publicly in the United States, including our independent registered public accounting firm, must be registered with the Public Company Accounting Oversight Board, or the PCAOB, and are required by the laws of the United States to undergo regular inspections by PCAOB to assess their compliance with the laws of the United States and professional standards. Because we have substantiated operations within the Peoples' Republic of China and the PCAOB is currently unable to conduct inspections of the work of our auditors as it relates

to those operations without the approval of the Chinese authorities, our auditor's work related to our operations in China is not currently inspected by the PCAOB.

This lack of PCAOB inspections of audit work performed in China prevents the PCAOB from regularly evaluating audit work of any auditors that was performed in China including that performed by our independent registered public accounting firm. As a result, investors may be deprived of the full benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of audit work performed in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures as compared to auditors in other jurisdictions that are subject to PCAOB inspections on all of their work. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

Proceedings instituted recently by the SEC against certain PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.

Proceedings instituted recently by the SEC against certain PRC-based accounting firms, including an independent registered public accounting firm which has a substantial role in the audit of our company, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act. In December 2012, the SEC instituted administrative proceedings against certain PRC-based accounting firms, including an independent registered public accounting firm which has a substantial role in the audit of our company, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' work papers related to their audits of certain PRC-based companies that are publicly traded in the United States and which are the subject of certain ongoing SEC investigations. On January 22, 2014, an initial administrative law decision was issued, sanctioning these accounting firms and suspending them from practicing before the SEC for a period of six months. On February 12, 2014, four of these PRC-based accounting firms appealed to the SEC against this sanction. Accordingly, the sanction will not become effective until after a full appeal process is concluded and a final decision is issued by the SEC. We were not and are not the subject of any SEC investigations nor are we involved in the proceedings brought by the SEC against the accounting firms. We may be adversely affected by the outcome of the proceedings, along with other U.S.-listed companies audited by these accounting firms. Our financial statements could be determined to not be in compliance with the requirements for financial statements of public companies registered under the Exchange Act, as amended, or the Exchange Act. Such a determination could ultimately lead to the delay or abandonment of this offering, or, after the completion of this offering, delisting of our common stock from the NASDAQ Global Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our common stock in the United States.

Risks related to this offering

There has been no public market for our 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 will apply for our ADSs to be listed on the NASDAQ Global Market. Our common 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 trading prices of our ADSs are likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other similarly situated companies in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of these Chinese companies' securities after their offerings, including companies in the internet businesses, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting or other practices at other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have engaged in such practices. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, which may have a material adverse effect on the market price of our ADSs.

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 affecting us, our advertisers or our industry;
- announcements of studies and reports relating to our services or those of our competitors;
- changes in the economic performance or market valuations of other internet companies in China;
- actual or anticipated fluctuations in our quarterly results of operations and changes of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the internet or online advertising industry in China;

- 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 Renminbi and the U.S. dollar;
- release or expiry of lock-up or other transfer restrictions on our outstanding shares or ADSs; and
- sales or perceived potential sales of additional 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 companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our ADSs, the market price for our ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

As 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. Our shareholders may by ordinary resolution declare dividends, but no dividend may exceed the amount recommended by our board of directors. 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 subsidiaries, 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 common shares in the public market after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Upon completion of this offering, we will have 346,912,180 common shares outstanding 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 of 1933, as amended, or the Securities Act.

Upon completion of this offering, certain holders of our common 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.

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 common shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of common 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 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.

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

We are incorporated in the Cayman Islands and conduct substantially all of our operations in China through our PRC subsidiaries and variable interest entities. Substantially all of our directors and officers reside outside the United States and a substantial portion of their assets 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 the United States in the event that you believe that your rights have been infringed under the U.S. 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 are uncertainties as to whether Cayman Islands courts would:

- recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and
- impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances 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 (2013 Revision) and common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which provides persuasive, but not binding, authority in a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial 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, shareholders in Cayman Islands companies may not have standing to initiate a shareholder derivative action in U.S. federal courts.

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

Our management has discretion 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, establishing a customer service center and cloud computing data centers to better serve our subscribers, acquiring digital media content and exclusive online game licenses, investing in technology, infrastructure and product and service development efforts and other general corporate purposes. 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.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 for so long as we are an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

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

We plan to adopt an amended and restated memorandum and articles of association that will become effective immediately upon the closing 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 corporate actions are substantially controlled by our directors, executive officers and other principal shareholders, who can exert significant influence over important corporate matters, which may reduce the price of our ADSs and deprive you of an opportunity to receive a premium for your shares.

After this offering, our directors, executive officers and existing principal shareholders will beneficially own approximately 82.9% of our outstanding common shares, assuming the underwriters do not exercise their over-allotment option to purchase additional ADSs. These shareholders, if acting together, could exert substantial influence over matters such as electing directors and approving material mergers, acquisitions or other business combination transactions. This concentration of ownership 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 will incur increased costs as a result of being a public company, particularly after we cease to qualify as an "emerging growth company."

Upon completion of this offering, we will become a public company in the United States. 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 Securities and Exchange Commission and the NASDAQ Global Market, require significantly heightened corporate governance practices of public companies, including Section 404 relating to internal control over financial reporting. As a company with less than US$1.0 billion in revenues for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company's internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We expect these and other rules and regulations applicable to public companies will increase our accounting, legal and financial compliance costs and will make certain corporate activities more time-consuming and costly. After we are no longer an "emerging growth company," we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. Compliance with these rules and requirements may be especially difficult and costly for us because we may have difficulty locating sufficient personnel in China with experience and expertise relating to U.S. GAAP and U.S. public company reporting requirements, and such personnel may command high salaries relative to similarly experienced personnel in the United States. If we cannot employ sufficient personnel to ensure compliance with these rules and regulations, we may need to rely more on outside legal, accounting and financial experts, which may be costly. If we fail to comply with these

rules and requirements, or are perceived to have weaknesses with respect to our compliance, we could become the subject of a governmental enforcement action and investor confidence could be negatively impacted and the market price of our ADSs could decline. In addition, we will incur additional costs associated with our public company reporting requirements. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with reasonable certainty the amount of additional costs we may incur or the timing of such costs.

There is a significant risk that we will be classified as a passive foreign investment company, which could subject United States investors in the ADSs or common shares to significant adverse United States income tax consequences.

Whether we will be a "passive foreign investment company", or "PFIC", for United States federal income tax purposes for any taxable year will depend upon the value of our assets (which could be determined based on the market value of our ADSs from time to time, which may be volatile) and the nature and composition of our assets and income for such year.

We currently hold, and may continue to hold, a substantial amount of cash. As cash is treated as a passive asset, and in light of the expected value of our assets (which is based on the expected price of our ADSs in this offering), there is a significant risk that we will become a PFIC for the current or future taxable years. In particular, the determination of whether we are a PFIC for any particular year will depend upon the composition of our income and assets and the value of our assets from time to time, including, the value of our goodwill and other unbooked intangibles (which may depend upon the market value of our ADSs and common shares from time-to-time, which may be volatile) and may also be affected by how, and how quickly, we spend our liquid assets and cash (including the cash raised in this offering).

In addition, although the law in this regard is unclear, we treat Shenzhen Xunlei as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entity but also because we are entitled to substantially all of the economic benefits associated with this entity, and, as a result, we consolidate this entity's operating results in our consolidated financial statements. If it were determined, however, that we are not the owner of Shenzhen Xunlei for United States federal income tax purposes, we may be treated as a PFIC for our current taxable year and any future taxable year.

Because we hold a substantial amount of cash, and because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, including ascertaining the fair market value of our assets on a quarterly basis and the character of each item of income we earn, there is a significant risk that we will be a PFIC for the current taxable year or any future taxable year.

If we were to be classified as a PFIC in any taxable year, a U.S. Holder (as defined in "Taxation—United States federal income tax considerations") would be subject to special rules generally intended to reduce or eliminate any benefits from the deferral of United States federal income tax that a U.S. Holder could derive from investing in a non-United States corporation that does not distribute all of its earnings on a current basis. Further, if we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or common shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or common shares. For more information see the section titled "Taxation—United States federal income tax considerations—Passive foreign investment company considerations."

Conventions which apply to this prospectus

Unless we indicate otherwise, all information in this prospectus reflects the following:

- no exercise by the underwriters of their option to purchase up to 1,097,250 additional ADSs representing 5,486,250 common shares from us, assuming Skyline does not exercise the warrants to subscribe for up to 3,406,899 series E preferred shares upon the pricing of this offering; and
- conversion of all outstanding series A, series A-1, series B, series C, series D and series E preferred shares into 263,374,445 common shares immediately upon the completion of this offering.

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

- "we," "us," "our company," "our," and "Xunlei" refer to Xunlei Limited, a Cayman Islands company, and its consolidated subsidiaries and variable interest entities, including our variable interest entity, or VIE, controlled by us, and the VIE's subsidiaries;
- "China" or "PRC" refers to the People's Republic of China, excluding, for the purpose of this prospectus only, Taiwan, Hong Kong, and Macau;
- "digital media content" refers to videos, music, games, software and documents transmitted in digital form;
- "monthly active users" refers to the number of internet users who activated and used a Xunlei acceleration product for at least 60 minutes within a month; under this method, a user that activated and used multiple Xunlei acceleration products with the same user information would count only once no matter how many times such user activated and used the acceleration products;
- "monthly unique visitors" in relation to our platform, refers to the number of different individual visitors who access Xunlei products (including websites and software) on our platform from the same computer at least once within a month; under this method, a user that used Xunlei products on two different computers would be counted as two unique visitors as he or she accessed the Xunlei product from different computers; in relation to our Xunlei Kankan website, refers to the number of different individual visitors to our Xunlei Kankan website from the same computers; For the purposes of the calculation, each visit counts only once no matter how many times the user from the same computer accesses the Xunlei Kankan website;
- "shares" or "common shares" refers to our common shares, par value US$0.00025 per share;
- "preferred shares" refers to our series A, series A-1, series B, series C, series D and series E convertible preferred shares, par value US$0.00025 per share, collectively;
- "ADSs" refers to our American depositary shares, each of which represents five common shares, and "ADRs" refers to any American depositary receipts that evidence our ADSs;
- all references to "RMB" or "Renminbi" refer to the legal currency of China; and
- all references to "US$," "dollars" or "U.S. dollars" refer to the legal currency of the United States.

We use U.S. dollar as reporting currency in our financial statements and in this prospectus. Transactions in Renminbi are recorded at the rates of exchange prevailing when the transactions occur. On June 6, 2014, the noon buying rate set forth in the H.10 statistical release of the Federal Reserve Board was RMB6.2498 to US$1.00.

Special note regarding forward-looking statements

This prospectus contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "likely to" or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our growth strategies;
- our future business development, results of operations and financial condition;
- our ability to maintain and strengthen our leading market position in China;
- our ability to increase and retain subscribers for our premium acceleration and other services;
- our ability to develop new products and services and attract, maintain and monetize user traffic;
- trends and competition in the internet industry in China;
- our ability to handle intellectual property rights-related matters;
- our expectation regarding the use of proceeds from this offering; and
- general economic and business conditions in China.

You should read thoroughly this prospectus and the documents that we refer to in this prospectus with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this prospectus include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This prospectus also contains statistical data and estimates that we obtained from industry publications and reports generated by third parties, including industry data from iResearch and Analysys International. Statistical data in these publications and reports also include projections based on a number of assumptions. The internet industry may not grow at the rate projected by market data, or at all. Failure of this market to grow at the projected rate may have a material and adverse effect on our business and the market price of our ADSs. In addition, the rapidly changing nature of the internet industry results in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

Use of proceeds

We estimate that we will receive net proceeds from this offering of approximately US$64.6 million after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed initial offering price of US$10.00 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 change in the assumed initial public offering price of US$10.00 per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease the net proceeds of this offering by US$6.80 million, assuming the sale of 7,315,000 ADSs at US$10.00 per ADS, the midpoint of the range shown on the front cover page of this prospectus and after deducting underwriting discounts and commissions and the estimated offering expenses payable by us.

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

- US$10.0 million to invest in technology, infrastructure and product development efforts;
- US$10.0 million to acquire digital media content and exclusive online game licenses; and
- the balance for other general corporate purposes, including working capital needs and potential acquisitions.

The amounts and timing of any expenditures will vary depending on the amount of cash generated by our operations, competitive and technological developments and the rate of growth, if any, of our business. Accordingly, our management will have significant flexibility in applying the net proceeds of the 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.

In utilizing the proceeds from this offering, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries and variable interest entities only through loans or capital contributions, and only if we satisfy the applicable government registration and approval requirements. We cannot assure you that we will be able to meet these requirements 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 subsidiaries and variable interest entities or to make additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business."

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

Dividend policy

We have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the near future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Regulation—Regulation on dividend distributions."

Our board of directors has complete discretion as to whether to distribute dividends. Our shareholders may by ordinary resolution declare dividends, but no dividend may exceed the amount recommended by our board of directors. 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. Under Cayman Islands law, we may declare and pay dividends on our shares only out of our profit or our share premium account, provided always that even if our company has sufficient profit or share premium, we may not pay a dividend if this would result in our company being unable to pay our debts as they fall due in the ordinary course of business. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our common 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 common shares, if any, will be paid in U.S. dollars.

Capitalization

The following table sets forth our capitalization as of March 31, 2014:

- on an actual basis;
- on a pro forma basis to reflect the planned conversion of preferred shares into the common shares based on the applicable conversion prices upon the completion of this offering, and the unaudited pro forma presentation does not include the series E preferred share issued in April 2014 and the repurchase transactions which occurred in April 2014;
- on an Article 11 pro forma basis as adjusted to reflect (1) the series E preferred shares issued in April 2014, (2) the repurchase transactions occurred in April 2014, and (3) our planned conversion of preferred shares into the common shares based on the applicable conversion prices upon the completion of this offering. Please refer to the unaudited pro forma condensed consolidated financial information on page P-2 for additional information;
- on a pro forma as adjusted basis to reflect (1) the planned conversion of preferred shares into common shares, (2) the issuance and sale of series E preferred shares in April 2014, (3) the repurchase transactions which occurred in April 2014, (4) the triggering of the anti-dilution clause for the series C, D, and E preferred shares from the issuance and sale of this offering and (5) the issuance and sale of 36,575,000 common shares in the form of ADSs by us in this offering at an assumed initial public offering price of US$10.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover 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 at March 31, 2014			
(in US$ thousands)	**Actual**	**Pro forma[1] (unaudited)**	**Article 11 Pro forma as adjusted[2] (unaudited)**	**Pro forma as adjusted[3] (unaudited)**
Mezzanine equity				
Series E preferred shares (US$0.00025 par value); 127,613,933 shares authorized, 70,975,491 shares issued and outstanding on an actual basis; nil outstanding on a pro forma basis or a pro forma as adjusted basis	115,721	—	—	—
Series D preferred shares (US$0.00025 par value); 18,000,000 shares authorized, 10,580,397 issued and outstanding on an actual basis; nil outstanding on a pro forma basis or a pro forma as adjusted basis	41,722	—	—	—
Equity				
Series C preferred shares (US$0.00025 par value; 5,728,264 shares authorized, 5,728,264 issued and outstanding on an actual basis; nil outstanding on a pro forma basis or a pro forma as adjusted basis)	1	—	—	—
Series B preferred shares (US$0.00025 par value; 30,308,284 shares authorized, 30,308,284 shares issued and outstanding on an actual basis; nil outstanding on a pro forma basis or a pro forma as adjusted basis)	8	—	—	—
Series A-1 preferred shares (US$0.00025 par value; 36,400,000 shares authorized, 36,400,000 shares issued and outstanding on an actual basis; nil outstanding on a pro forma basis or a pro forma as adjusted basis)	9	—	—	—
Series A preferred shares (US$0.00025 par value; 26,416,560 shares authorized, 26,416,560 shares issued and outstanding on an actual basis; nil outstanding on a pro forma basis or a pro forma as adjusted basis)	7	—	—	—
Common shares (US$0.00025 par value; 355,532,959 shares authorized, 70,521,104 shares issued and 61,447,372 shares outstanding on an actual basis; 254,086,286 common shares issued and 245,012,554 shares outstanding on a pro forma basis and 355,805,912 common shares issued and 346,732,180 shares outstanding on a pro forma as adjusted basis)	15	61	65	87
Additional paid-in capital[3]	115,130	272,552	338,746	403,304
Accumulated other comprehensive income	5,085	5,085	5,085	5,085
Statutory reserve	4,478	4,478	4,478	4,478
Treasury shares (US$0.00025 par value, 9,073,732 shares outstanding as at March 31, 2014, 9,073,732 shares outstanding on a pro forma basis or a pro forma as adjusted basis)	2	2	2	2
Retained earnings	2,487	2,487	—	—
Total Xunlei Limited's shareholders' equity[4]	127,222	284,665	348,376	412,956
Non-controlling interest	(135)	(135)	(135)	(135)
Total capitalization[4]	127,087	284,530	348,241	412,821

Notes:

(1) The unaudited pro forma presentation does not include (1) the series E preferred shares issued in April 2014, (2) the repurchase transaction occurred in April 2014.

(2) On an Article 11 pro forma as adjusted basis to reflect (1) the series E preferred shares issued in April 2014, (2) the repurchase transactions occurred in April 2014, and (3) our planned conversion of preferred shares into the common shares based on the applicable conversion prices upon the completion of this offering. Please refer to the unaudited pro forma condensed consolidated financial information on page P-2 for additional information.

(3) The pro forma as adjusted information discussed above is illustrative only. Our additional paid-in capital, total shareholders' equity and total capitalization following the completion of this offering are subject to adjustment based on the actual initial public offering price and other terms of this offering determined at pricing.

(4) Assuming the number of ADSs offered by us as set forth on the cover page of this prospectus remains the same, and after deduction of underwriting discounts and commissions and the estimated offering expenses payable by us, a US$1.00 change in the assumed initial public offering price of US$10.00 per ADS would, in the case of increase, increase and, in the case of decrease, decrease each of additional paid-in capital, total equity and total capitalization by US$6.80 million.

Dilution

Our net tangible book value as of March 31, 2014 was approximately US$4.24 per common share and US$21.20 per ADS. Net tangible book value per common share represents the amount of total tangible assets, minus the amount of total liabilities, divided by the total number of common shares outstanding. Our pro forma net tangible value as of March 31, 2014 was approximately US$1.06 per common share and US$5.30 per ADS. Dilution is determined by subtracting pro forma net tangible book value per common share from the assumed public offering price per common share.

Without taking into account any other changes in such net tangible book value after March 31, 2014, other than to give effect to (1) the planned conversion of preferred shares into the common shares based on the applicable conversion prices, (2) our issuance and sale of series E preferred shares in April 2014, (3) the repurchase transactions which occurred in April 2014, (4) the triggering of the anti-dilution clause for the series C, D, and E preferred shares from the issuance and sale of this offering and (5) our issuance and sale of 7,315,000 ADSs in this offering, at an assumed initial public offering price of US$10.00 per ADS, the mid-point of the estimated public offering price range, and after deduction of underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at March 31, 2014 would have been US$1.04 per outstanding common share, including common shares underlying our outstanding ADSs, or US$5.20 per ADS. This represents an immediate decrease in net tangible book value of US$0.02 per common share, or US$0.10 per ADS, to existing shareholders and an immediate dilution in net tangible book value of US$0.96 per common share, or US$4.80 per ADS, to purchasers of ADSs in this offering.

The following table illustrates the dilution on a per common share basis assuming that the initial public offering price per common share is US$2.00 and all ADSs are exchanged for common shares:

	Per common share		Per ADS
Assumed initial public offering price	US$ 2.00	US$	10.00
Net tangible book value as of March 31, 2014	US$ 4.24	US$	21.20
Pro forma net tangible book value after giving effect to the conversion of our series A, series A-1, series B, series C, series D and series E preferred shares	US$ 1.06	US$	5.30
Pro forma as adjusted net tangible book value after giving effect to the conversion of our series A, series A-1, series B, series C, series D and series E preferred shares, sale of series E preferred shares in April 2014, repurchase transactions in April 2014, the triggering of anti-dilution clause and this offering	US$ 1.04	US$	5.20
Dilution in net tangible book value to new investors in the offering	US$ 0.96	US$	4.80

A US$1.00 change in the assumed initial public offering price of US$10.00 per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease our pro forma as adjusted net tangible book value after giving effect to the offering by US$6.80 million, the

pro forma as adjusted net tangible book value per common share and per ADS after giving effect to this offering by US$0.02 per common share and US$0.10 per ADS and the dilution in pro forma as adjusted net tangible book value per common share and per ADS to new investors in this offering by US$0.18 per common share and US$0.90 per ADS, assuming no change to the number of ADSs offered by us as set forth on the 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 following table summarizes, on a pro forma as adjusted basis as of March 31, 2014, the differences between the shareholders as of March 31, 2014 and the new investors with respect to the number of common shares purchased from us, the total consideration paid and the average price per common share paid at an assumed initial public offering price of US$10.00 per ADS before deducting estimated underwriting discounts and commissions and estimated offering expenses.

	Common shares purchased		Total consideration		Average price per common share	Average price per ADS
	Number[(1)]	Percent	Amount (in thousands of US$)	Percent		
Existing shareholders	310,157,180	89%	327,224	82%	1.06	5.28
New investors	36,575,000	11%	73,150	18%	2.00	10.00
Total	346,732,180	100%	400,374	100%	1.16	5.78

(1) Assuming automatic conversion of all existing preferred shares into 263,374,445 common shares, as we planned, upon completion of this offering. The total number of common shares does not include the common shares issued to Leading Advice Holdings Limited for grants under our 2013 Plan and 2014 Plan (except for restricted shares that have already vested), which are not deemed outstanding.

A US$1.00 change in the assumed initial public offering price of US$10.00 per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease total consideration paid by new investors, total consideration paid by all shareholders, average price per common share and average price per ADS paid by all shareholders by US$7,315,000, US$7,315,000, US$0.03 and US$0.15, respectively, assuming the sale of 7,315,000 ADSs at US$10.00, the mid-point of the range set forth on the cover page of this prospectus.

The discussion and tables above also assume no exercise of any vested and unvested stock options or unvested restricted shares as of the date of this prospectus. As of the date of this prospectus, there were 21,374,267 common shares issuable upon exercise of vested and unvested stock options at a weighted average exercise price of US$1.41 per common share and there were 7,277,318 unvested restricted shares. To the extent that any of these options are exercised or any of these restricted share units are vested, there will be further dilution to new investors.

Enforceability of civil liabilities

We were incorporated in the Cayman Islands to take advantage of certain benefits associated with being a Cayman Islands exempted company:

- 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, but are not limited to, the following:

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

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

All of our operations are conducted outside the United States, and substantially all of our assets are located outside the United States. A majority 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.

Maples and Calder, our counsel as to Cayman Islands law, and Zhong Lun Law Firm, our counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

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

Maples and Calder has further advised us that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided that such judgment (a) is given by a foreign court of competent jurisdiction, (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (c) is final, (d) is not in respect of taxes, a fine or a penalty; and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a 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.

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

In addition, although U.S. shareholders may be able to originate actions against us in China in accordance with PRC law, it will be difficult for U.S. shareholders to do so, because we are incorporated under the laws of the Cayman Islands and it is difficult for U.S. shareholders, by virtue only of holding our ADSs or common shares, to establish a connection to the PRC for a PRC court to have subject matter jurisdiction as required by the PRC Civil Procedures Law. U.S. shareholders may be able to originate actions against us in the Cayman Islands based upon Cayman Islands law. However, we do not have any substantial assets other than certain corporate documents and records in the Cayman Islands and it may be difficult for a shareholder to enforce a judgment obtained in a Cayman Islands court in China, where substantially all of our operations are conducted.

Corporate history and structure

We commenced operations in January 2003 through the establishment of Shenzhen Xunlei Networking Technologies Co., Ltd., or Shenzhen Xunlei, together with its various subsidiaries in the PRC, currently operating our Xunlei internet platform.

In February 2005, we established Xunlei Limited as our holding company in the Cayman Islands. Xunlei Limited directly owns Giganology (Shenzhen) Ltd., or Giganology Shenzhen, our wholly owned subsidiary in China established in June 2005. Giganology Shenzhen primarily engages in the research and development of new technologies.

Giganology Shenzhen has entered into a series of contractual arrangements with Shenzhen Xunlei and its shareholders. The contractual arrangements between Giganology Shenzhen, Shenzhen Xunlei and its shareholders enable us to (1) exercise effective control over Shenzhen Xunlei; (2) receive substantially all of the economic benefits of Shenzhen Xunlei in consideration for the technical and consulting services provided and the intellectual property rights licensed by Giganology Shenzhen; and (3) have an exclusive option to purchase all of the equity interests in Shenzhen Xunlei when and to the extent permitted under PRC laws and regulations.

As a result of these contractual arrangements, we are considered the primary beneficiary of Shenzhen Xunlei, and we treat it as our variable interest entity, or VIE, under the generally accepted accounting principles in the United States, or U.S. GAAP. We have consolidated the financial results of Shenzhen Xunlei and its subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. The VIE contributed revenues in amounts of US$87.5 million, US$148.2 million, US$180.2 million and US$41.2 million for the years ended December 31, 2011, 2012 and 2013 and for the three months ended March 31, 2014, respectively, accounting for almost 100% of our total consolidated revenues for each of the relevant periods.

The existing PRC subsidiaries of Shenzhen Xunlei include the following:

- Shenzhen Fengdong Networking Technologies Co., Ltd., which was established in December 2005, and it primarily engages in software development.
- Shenzhen Xunlei KanKan Information Technologies Co., Ltd. (formerly named as 155 Networking (Shenzhen) Co., Ltd.), which was established in August 2008, and it primarily engages in software development.
- Xunlei Networking Technologies (Beijing) Co., Ltd., which was established in June 2009, and it primarily engages in software development.
- Xunlei Software (Shenzhen) Co., Ltd., which was established in January 2010, and it primarily engages in the development of software technology and the development of computer software.
- Xunlei Games Development (Shenzhen) Co., Ltd., which was established in February 2010, and it primarily engages in the development of online game and computer software and advertising services; and

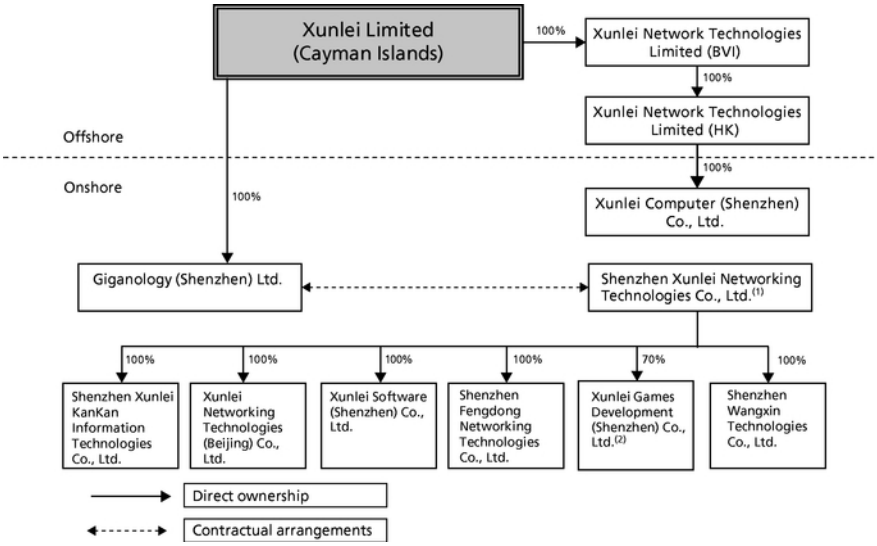
- Shenzhen Wangxin Technologies Co., Ltd., which was established in September 2013, and it has not started operation as of the date of this prospectus and it will engage in sales and marketing activities of our services and products.

In February 2011, we established a direct wholly owned subsidiary, Xunlei Network Technologies Limited, or Xunlei Network BVI, in the British Virgin Islands. In March 2011, we established Xunlei Network Technologies Limited, or Xunlei Network HK, in Hong Kong, which is the direct wholly owned subsidiary of Xunlei Network BVI. Xunlei Network HK primarily engages in the development of computer software and advertising services.

In November 2011, we established Xunlei Computer (Shenzhen) Co., Ltd., or Xunlei Computer, in China, which is the direct wholly owned subsidiary of Xunlei Network HK. Xunlei Computer primarily engages in the development of computer software and information technology services.

We previously pursued an initial public offering in 2011 with a view to obtaining additional funding for our business development and to providing liquidity to our existing investors. However, due to the adverse market conditions in the global capital market in the second half year of 2011, we decided not to proceed with the offering at that time.

The following diagram illustrates our corporate structure and subsidiaries and variable interest entity as of the date of this prospectus:



(1) Shenzhen Xunlei is our variable interest entity. Mr. Sean Shenglong Zou, our co-founder, chairman and chief executive officer, Mr. Hao Cheng, our co-founder and director, Mr. Jianming Shi, Guangzhou Shulian Information Investment Co., Ltd. and Ms. Fang Wang respectively own 76.0%, 8.3%, 8.3%, 6.7% and 0.7% of Shenzhen Xunlei's equity interests.

(2) The remaining 30% of the equity interest is owned by Mr. Hao Cheng.

The following is a summary of the currently effective contracts among our subsidiary, Giganology Shenzhen, our variable interest entity, Shenzhen Xunlei, and the shareholders of Shenzhen Xunlei.

Agreements that provide us effective control over Shenzhen Xunlei

Business operation agreement

Pursuant to the business operation agreement among Giganology Shenzhen, Shenzhen Xunlei and the shareholders of Shenzhen Xunlei, as amended, Shenzhen Xunlei's shareholders must appoint the candidates nominated by Giganology Shenzhen to be the directors on its board of directors in accordance with applicable laws and the articles of association of Shenzhen Xunlei, and must cause the persons recommended by Giganology Shenzhen to be appointed as its general manager, chief financial officer and other senior executives. Shenzhen Xunlei and its shareholders also agree to accept and strictly follow the guidance provided by Giganology Shenzhen from time to time relating to employment, termination of employment, daily operations and financial management. Moreover, Shenzhen Xunlei and its shareholders agree that Shenzhen Xunlei will not engage in any transactions that could materially affect its assets, business, personnel, liabilities, rights or operations, including but not limited to the amendment of Shenzhen Xunlei's articles of association, without the prior consent of Giganology Shenzhen and Xunlei Limited or their respective designees. For instance, in May 2011, Shenzhen Xunlei sought and obtained consent from Giganology Shenzhen and Xunlei Limited to increase its registered capital by RMB20 million and to revise its articles of association accordingly. The term of this agreement will expire in 2016 and may be extended at Giganology Shenzhen's request prior to the expiration date.

Equity pledge agreement

Pursuant to the equity pledge agreement between Giganology Shenzhen and the shareholders of Shenzhen Xunlei, as amended, the shareholders of Shenzhen Xunlei have pledged all of their equity interests in Shenzhen Xunlei to Giganology Shenzhen to guarantee Shenzhen Xunlei and its shareholders' performance of their respective obligations and any ensuing liabilities under the exclusive technology support and service agreement, as amended, the exclusive technology consulting and training agreement, as amended, the proprietary technology license agreement, the business operation agreement, as amended, the equity interests disposal agreement, as amended, the loan agreements, as amended, and the intellectual properties purchase option agreement, as amended. In addition, the shareholders of Shenzhen Xunlei have completed the registration of equity pledge under the equity pledge agreement with the competent governmental authority. If Shenzhen Xunlei and/or its shareholders breach their contractual obligations under those agreements, Giganology Shenzhen, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

Powers of attorney

Pursuant to the irrevocable powers of attorney executed by each shareholder of Shenzhen Xunlei, each such shareholder appointed Giganology Shenzhen as its attorney-in-fact to exercise such shareholders' rights in Shenzhen Xunlei, including, without limitation, the power to vote on its behalf on all matters of Shenzhen Xunlei requiring shareholder approval in accordance with PRC laws and regulations and the articles of association of Shenzhen Xunlei. Each power of attorney will remain in force for 10 years from the date of execution unless the

business operation agreement, as amended, among Giganology Shenzhen, Shenzhen Xunlei and the shareholders of Shenzhen Xunlei is terminated at an earlier date. The term may be extended at Giganology Shenzhen's discretion.

Agreements that transfer economic benefits to us

Exclusive technology support and services agreement

Pursuant to the exclusive technology support and services agreement between Giganology Shenzhen and Shenzhen Xunlei, as amended, Giganology Shenzhen has the exclusive right to provide to Shenzhen Xunlei technology support and technology services related to all technologies needed for its business. Giganology Shenzhen exclusively owns any intellectual property rights resulting from the performance of this agreement. The service fee payable by Shenzhen Xunlei to Giganology Shenzhen is a certain percentage of its earnings. The term of this agreement will expire in 2025 and may be extended with Giganology Shenzhen's written confirmation prior to the expiration date. Giganology Shenzhen is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Shenzhen Xunlei.

Exclusive technology consulting and training agreement

Pursuant to the exclusive technology consulting and training agreement between Giganology Shenzhen and Shenzhen Xunlei, as amended, Giganology Shenzhen has the exclusive right to provide to Shenzhen Xunlei technology consulting and training services related to its business. Giganology Shenzhen exclusively owns any intellectual property rights resulting from the performance of this agreement. The service fee payable by Shenzhen Xunlei to Giganology Shenzhen is a certain percentage of its earnings. The term of this agreement will expire in 2025 and may be extended with Giganology Shenzhen's written confirmation prior to the expiration date. Giganology Shenzhen is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Shenzhen Xunlei.

Proprietary technology license contract

Pursuant to the proprietary technology license contract between Giganology Shenzhen and Shenzhen Xunlei, Giganology Shenzhen grants Shenzhen Xunlei a non-exclusive and non-transferable right to use Giganology Shenzhen's proprietary technology. Shenzhen Xunlei can only use the proprietary technology to conduct its business within China. Giganology Shenzhen or its designated representative(s) owns the rights to any improvements developed based on the proprietary technology licensed pursuant to this contract. The term of the agreement will expire in 2022 and, at Giganology Shenzhen's discretion, may be extended for an additional 10 years or for other time period as agreed by both Giganology Shenzhen and Shenzhen Xunlei.

Intellectual properties purchase option agreement

Pursuant to the intellectual properties purchase option agreement between Giganology Shenzhen and Shenzhen Xunlei, as amended, Shenzhen Xunlei irrevocably grants Giganology Shenzhen (or its designated representative(s)) an exclusive option to purchase certain specified intellectual properties that it owns for RMB1.0 or the minimum amount of consideration permitted under the PRC law. The term of the agreement will expire in 2022 and may be automatically extended for an additional 10 years at each expiration date as long as these intellectual properties have not been transferred to Giganology Shenzhen and/or its designee and Shenzhen Xunlei then still exist.

Agreements that provide us the option to purchase the equity interest in Shenzhen Xunlei

Equity interests disposal agreement

Pursuant to the equity interests disposal agreement among Giganology Shenzhen, Shenzhen Xunlei and the shareholders of Shenzhen Xunlei, as amended, Shenzhen Xunlei's shareholders irrevocably grant Giganology Shenzhen (or its designated representative(s)) an exclusive option to purchase all or part of their equity interests in Shenzhen Xunlei for RMB1.0 or the minimum amount of consideration permitted under PRC law. The term of the agreement will expire in 2016 and may be extended at Giganology Shenzhen's discretion.

Loan agreements

Under the loan agreement between Giganology Shenzhen and Guangzhou Shulian Information Investment Co., Ltd., Sean Shenglong Zou, Hao Cheng, Fang Wang and Jianming Shi, as amended, Giganology Shenzhen made interest-free loans of approximately RMB1.8 million, RMB2.5 million, RMB2.3 million, RMB0.2 million and RMB2.3 million, respectively, to each of the above shareholders of Shenzhen Xunlei and all of these shareholders have used the full amount of loans to make capital contribution to Shenzhen Xunlei. The term of this agreement is two years from the date it was signed, and will be automatically extended afterwards on a yearly basis until each shareholder of Shenzhen Xunlei has repaid the loan in its entirety in accordance with the loan agreement. The loan for each shareholder will be deemed to be repaid under this agreement only when all equity interest held by the relevant shareholder in Shenzhen Xunlei has been transferred to Giganology Shenzhen or its designated parties. As of the date of this prospectus, all the loans under the loan agreements are outstanding. At any time during the term of the loan agreement, Giganology Shenzhen may, at its sole discretion, require any of the shareholders of Shenzhen Xunlei to repay all or any portion of his outstanding loan under the agreement.

In addition, following the loan agreement mentioned above, under a separate loan agreement between Giganology Shenzhen and Mr. Sean Shenglong Zou as a shareholder of Shenzhen Xunlei, as amended, Giganology Shenzhen made an additional interest-free loan of RMB20 million to Mr. Zou, the entire amount of which was used to contribute to the registered capital of Shenzhen Xunlei, increasing the registered capital of Shenzhen Xunlei to RMB30 million. The term of this agreement is two years from the date it was signed, and will be automatically extended afterwards on a yearly basis until Mr. Zou has repaid the loan in its entirety in accordance with the loan agreement. This loan will be deemed to be repaid under this agreement only when all equity interest held by the relevant shareholder in Shenzhen Xunlei has been transferred to Giganology Shenzhen or its designated parties. At any time during the term of the loan agreement, Giganology Shenzhen may, at its sole discretion, require all or any portion of the outstanding loan under the agreement to be repaid.

In the opinion of our PRC legal counsel:

- the ownership structures of our variable interest entity and our subsidiaries in China, both currently and after giving effect to this offering, comply with all existing PRC laws and regulations; and
- the contractual arrangements among Giganology Shenzhen, our PRC subsidiary, Shenzhen Xunlei and its shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect.

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 take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our business to provide digital media data transmission and streaming services, online games and other value-added telecommunication services do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing 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 businesses in China do not comply with PRC governmental restrictions on foreign investment in internet-related business and foreign investors' mergers and acquisition activities in China, 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."

Selected consolidated financial data

The following selected consolidated statements of operations data for the years ended December 31, 2011, 2012 and 2013 and the selected balance sheet data as of December 31, 2012 and 2013 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated statements of operations data for the three months ended March 31, 2013 and 2014 and the summary balance sheet data as of March 31, 2014 are derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited interim condensed consolidated financial statements on the same basis as our audited consolidated financial statements and include 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 periods presented. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results for any period are not necessarily indicative of results to be expected for any future period. You should read the following selected financial information in conjunction with the consolidated financial statements and related notes and the information under "Management's discussion and analysis of financial condition and results of operations" included elsewhere in this prospectus.

(in thousands of US$, except for share, per share and per ADS data)	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2011	2012	2013	2013 (unaudited)	2014 (unaudited)
Revenues, net of rebates and discounts	87,471	148,200	180,244	41,319	41,190
Business tax and surcharges	(5,569)	(7,679)	(5,650)	(1,245)	(1,192)
Net revenues	81,902	140,521	174,594	40,074	39,998
Cost of revenues	(48,068)	(84,012)	(93,260)	(20,783)	(23,864)
Gross profit	33,834	56,509	81,334	19,291	16,134
Operating expenses[(1)]					
Research and development expenses	(12,142)	(20,357)	(28,832)	(6,093)	(7,079)
Sales and marketing expenses	(10,966)	(20,219)	(26,610)	(4,443)	(5,027)
General and administrative expenses	(18,601)	(18,474)	(23,073)	(4,409)	(6,068)
Total operating expenses	(41,709)	(59,050)	(78,515)	(14,945)	(18,174)
Net gain/(loss) from exchanges of content copyrights	4,742	4,666	1,020	(171)	826
Operating (loss)/income	(3,133)	2,125	3,839	4,175	(1,214)
Interest income	270	1,377	1,189	190	387
Interest expense	(339)	(1,400)	—	—	—
Other income, net	1,415	564	4,679	588	1,123
Shares of (loss)/income from equity investee	(7)	(45)	25	(23)	(56)
(Loss)/income before income tax	(1,794)	2,621	9,732	4,930	240
Income tax benefit/(expense)	1,783	(2,239)	647	(862)	(62)
Net (loss)/income	(11)	382	10,379	4,068	178
Less: net (loss)/income attributable to non-controlling interest	(1)	(121)	(283)	167	(219)
Net (loss)/income attributable to Xunlei Limited	(10)	503	10,662	3,901	397

(in thousands of US$, except for share, per share and per ADS data)	For the Year Ended December 31, 2011	2012	2013	For the Three Months Ended March 31, 2013 (unaudited)	2014 (unaudited)
Beneficial conversion feature of series C convertible preferred shares from their modification	—	(286)	—	—	—
Deemed contribution from series C preferred shareholders	—	2,979	—	—	—
Contingent beneficial conversion feature of series C to a series C shareholder	—	—	—	—	(57)
Deemed dividend to series D shareholder from its modification	—	—	—	—	(279)
Accretion of series D to convertible redeemable preferred shares redemption value	—	(3,509)	(4,300)	(1,060)	(1,153)
Accretion of series E to convertible redeemable preferred shares redemption value	—	—	—	—	(2,525)
Amortization of beneficial conversion feature of series E	—	—	—	—	(933)
Allocation of net income to participating preferred shareholders	—	—	(4,094)	(1,828)	—
Net (loss)/income attributable to Xunlei Limited's common shareholders	(10)	(313)	2,268	1,013	(4,550)
Weighted average number of common shares used in per share calculations					
Basic	59,143,208	61,447,372	61,447,372	61,447,372	61,447,372
Diluted	59,143,208	61,447,372	76,065,898	75,901,980	61,447,372
Net (loss)/income attributable to holders of common shares of Xunlei Limited per common share					
Basic	(0.00)	(0.01)	0.04	0.02	(0.07)
Diluted	(0.00)	(0.01)	0.01	0.01	(0.07)
Net (loss)/income attributable to holders of common shares of Xunlei Limited per ADS[2]					
Basic			0.01		(0.01)
Diluted			0.01		(0.01)
Weighted average number of common shares used in pro forma per share calculations					
Basic			172,400,906		245,012,554
Diluted			187,019,432		314,032,593
Pro forma earnings per common share (unaudited)[3]					
Basic			0.06		0.00
Diluted			0.05		0.00
Adjusted Article 11 pro forma net (loss)/income attributable to holders of common shares (unaudited)[4]					
Basic			(6,994)		823
Diluted			(6,994)		636
Weighted average number of common shares used in adjusted Article 11 pro forma (loss)/earnings per share calculations (unaudited)[4]					
Basic			260,757,736		260,757,736
Diluted			260,757,736		329,796,236
Adjusted Article 11 pro forma (loss)/earnings per common share (unaudited)[4]					
Basic			(0.03)		0.00
Diluted			(0.03)		0.00

(in thousands of US$, except for share, per share and per ADS data)	For the Year Ended December 31, 2011	2012	2013	For the Three Months Ended March 31, 2013 (unaudited)	2014 (unaudited)
Weighted average number of common shares used in pro forma as adjusted per share calculations (unaudited)					
Basic			346,732,180		346,732,180
Diluted			346,732,180		415,770,680
Pro forma as adjusted earnings per common share (unaudited)[5]					
Basic			(0.02)		0.00
Diluted			(0.02)		0.00
Pro forma as adjusted earnings per ADS (unaudited)[5]					
Basic			(0.00)		0.00
Diluted			(0.00)		0.00

Notes:

(1) Share-based compensation expenses were allocated in operating expenses as follows:

(in thousands of US$)	For the Year Ended December 31, 2011	2012	2013	For the Three Months Ended March 31, 2013 (unaudited)	2014 (unaudited)
Research and development expenses	898	1,085	973	235	191
Sales and marketing expenses	73	46	43	9	12
General and administrative expenses	1,128	1,102	1,080	84	859
Total share-based compensation expenses	2,099	2,233	2,096	328	1,062

(2) Each ADS represents five common shares.

(3) The unaudited pro-forma earnings per share give effect to our planned conversion of preferred shares into the common shares based on the applicable conversion prices upon the completion of this offering. The unaudited pro forma presentation does not include (1) the Series E preferred shares issued in April 2014, and (2) the repurchase transaction occurred in April 2014.

(4) The unaudited adjusted Article 11 pro-forma net loss attributable to Xunlei Limited's common shareholders, loss per common share and weighted average number of common shares used in adjusted Article 11 pro forma loss per share calculation for the year ended December 31, 2013 give effect to (1) the series E preferred shares issued in March and April 2014, (2) the repurchase transactions occurred in April 2014, and (3) our planned conversion of preferred shares into the common shares based on the applicable conversion prices upon the completion of this offering. The unaudited adjusted Article 11 pro-forma net income attributable to Xunlei Limited's common shareholders, earnings per common share and weighted average number of common shares used in adjusted Article 11 pro forma earnings per share calculation for the three months ended March 31, 2014 give effect to (1) the series E preferred shares issued in April 2014, (2) the repurchase transactions occurred in April 2014, and (3) our planned conversion of preferred shares into the common shares based on the applicable conversion prices upon the completion of this offering. Please refer to our unaudited pro forma condensed consolidated financial information on pages P-17 and P-18 for additional information.

(5) The unaudited pro-forma as adjusted net loss attributable to our common shareholders, loss per common share and weighted average number of common shares used in the pro forma as adjusted loss per share calculation for the year ended December 31, 2013 give effect to (1) the series E preferred shares issued in March and April 2014, (2) the repurchase transactions occurred in April 2014, (3) the triggering of the anti-dilution clause for the series C, D, E preferred shares from the issuance and sale of this offering and (4) our planned conversion of preferred shares into common shares based on the applicable conversion prices upon the completion of this offering. The triggering of the anti-dilution clause is in accordance with the anti-dilution clause in the financing documents. At the time of this anti-dilution, the anti-dilution triggered upon this offering contained a beneficial conversion feature of US$73 million and the amount was charged to additional paid in capital in 2014 as a deemed dividend. The unaudited pro-forma as adjusted net income attributable to Xunlei Limited's common shareholders, earnings per common share and weighted average number of common shares used in pro forma as adjusted earnings per share calculation for the three months ended March 31, 2014 give effect to (1) the series E preferred shares issued in April 2014, (2) the repurchase transactions occurred in April 2014, (3) the triggering of the anti-dilution clause for the series C, D, E preferred shares from the issuance and sale of this offering and (4) our planned conversion of preferred shares into common shares based on the applicable conversion prices upon the completion of this offering. The triggering of the anti-dilution clause is in accordance with the anti-dilution clause in the financing documents. At the time of this anti-dilution,

the anti-dilution triggered upon this offering contained a beneficial conversion feature of US$73 million and the amount was charged to additional paid in capital in 2014 as a deemed dividend.

	As at December 31,			As at March 31,			
(in thousands of US$)	2012	2013	2013[1] Pro forma (unaudited)	2014 Actual (unaudited)	2014[1] Pro forma (unaudited)	2014[2] Article 11 Pro forma as adjusted (unaudited)	2014[3] Pro forma as adjusted (unaudited)
Selected Consolidated Balance Sheet Data:							
Cash and cash equivalents	81,906	93,906	93,906	302,361	302,361	338,277	402,857
Short-term investments	6,523	40,993	40,993	32,339	32,339	32,339	32,339
Total current assets	163,830	193,781	193,781	385,409	385,409	421,325	435,196
Total assets	202,204	244,403	244,403	439,785	439,785	475,701	540,281
Accounts payables	31,834	39,820	39,820	36,922	36,922	36,922	36,922
Total current liabilities	79,544	105,385	105,385	100,961	100,961	101,018	101,018
Total liabilities	97,886	124,835	124,835	155,255	155,255	127,460	127,460
Mezzanine equity	35,990	40,290	—	157,443	—	—	—
Total Xunlei Limited's shareholders' equity	67,968	79,194	119,484	127,222	284,665	348,376	412,956
Non-controlling interest	360	84	84	(135)	(135)	(135)	(135)
Total liabilities and equity	202,204	244,403	244,403	439,785	439,785	475,701	540,281

	For the Year Ended December 31,			For the Three Months Ended March 31,	
(in thousands of US$)	2011	2012	2013	2013 (unaudited)	2014 (unaudited)
Selected Cash Flow Statement Data:					
Net cash generated from operating activities	18,277	59,914	85,533	16,590	15,019
Net cash used in investing activities	(36,875)	(49,490)	(78,352)	(18,179)	(5,130)
Net cash generated from financing activities	50,032	17,692	2,487	1,307	199,620
Net increase/(decrease) in cash and cash equivalents	31,434	28,116	9,668	(282)	209,509
Effect of exchange rate changes	562	441	2,332	169	(1,054)
Cash and cash equivalents at beginning of year/period	21,353	53,349	81,906	81,906	93,906
Cash and cash equivalents at end of year/period	53,349	81,906	93,906	81,793	302,361

(1) On a pro forma basis to reflect the planned conversion of preferred shares into the common shares based on the applicable conversion prices upon the completion of this offering, and the unaudited pro forma presentation does not include (1) the series E preferred shares issued in April 2014 and (2) the repurchase transaction occurred in April 2014.

(2) On an Article 11 pro forma as adjusted basis to reflect (1) the series E preferred shares issued in April 2014, (2) the repurchase transactions occurred in April 2014, and (3) our planned conversion of preferred shares into the common shares based on the applicable conversion prices upon the completion of this offering. Please refer to the unaudited pro forma condensed consolidated financial information on page P-2 for additional information.

(3) On a pro forma as adjusted basis to reflect (1) the planned conversion of preferred shares into common shares, (2) the issuance and sale of series E preferred shares in April of 2014, (3) the repurchase transactions occured in April 2014, (4) the triggering of the anti-dilution clause for the series C, D, and E preferred shares from the issuance and sale of this offering and (5) the issuance and sale of 36,575,000 common shares in the form of ADSs by us in this offering at an assumed initial public offering price of US$10.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. The triggering of the anti-dilution clause is in accordance with the anti-dilution clause in the financing documents. At the time of this anti-dilution, the anti-dilution triggered upon this offering contained a beneficial conversion feature of US$73 million and the amount was charged to additional paid in capital in 2014 as a deemed dividend.

Management's discussion and analysis of financial condition and results of operations

Overview

We are one of the top 10 largest Chinese internet companies, as measured by user base. According to iResearch, we had an average of approximately 300 million monthly unique visitors for the three months ended on March 31, 2014. Digital media content, such as video, music and games, is one of the most popular usages for internet users in China. We operate a powerful internet platform in China based on cloud computing to enable users to quickly access, manage and consume digital media content. We are increasingly extending into mobile devices in part through potentially pre-installed acceleration products in mobile phones and to living rooms through TV coverage (set-top boxes and IPTV) to further expand our user base and offer our users a wider range of access points. We aspire to deliver superior user experience in ease of access, management and consumption of digital media content anywhere, anytime, and on any device.

We are the No. 1 acceleration product provider in China as measured by market share in March 2014, according to iResearch. To address deficiencies of digital media content transmission over the internet in China, such as low speed and high delivery failure rates, we provide users with quick and easy access to digital media content on the internet through two core products and services, available to users for free and for a subscription fee, respectively. Our acceleration products and services include Xunlei Accelerator and our cloud acceleration subscription services (delivered through products such as Green Channel, Offline Accelerator and Yunbo). Benefitting from the large user base accumulated by our core product, Xunlei Accelerator, we have further developed various value-added services to meet a fuller spectrum of our users' digital media content access and consumption needs. These value-added products and services include Xunlei Kankan, online game and pay per view.

We have successfully monetized our large user base. We generate revenues primarily through the following services:

- Subscription services. We provide cloud acceleration subscription services for subscribers to enable faster and more reliable access to digital media content. Revenues from subscription services contributed to 48.1% of our revenues in 2013 and 60.3% for the three months ended March 31, 2014. Subscription fees are time-based and are primarily collected up-front from subscribers on a monthly or yearly basis.

- Online advertising services. We offer advertising services by providing marketing opportunities on our online video streaming websites and platform to our advertisers. Online advertising revenues contributed to 26.7% of our revenues in 2013 and 18.3% for the three months ended March 31, 2014 and the revenues are derived principally from various forms of advertisements that we place on Xunlei Kankan.

- Other internet value-added services. We offer multiple other value-added services to our users, including online games and pay per view services. Revenues from other internet value-added services contributed to 25.2% of our revenues in 2013 and 21.4% for the three months ended March 31, 2014.

We have grown significantly in recent years. Our revenues increased from US$87.5 million in 2011 to US$148.2 million in 2012 and US$180.2 million in 2013. We had net loss attributable to

Xunlei Limited of US$0.01 million in 2011, net income attributable to Xunlei Limited of US$0.5 million in 2012 and US$10.7 million in 2013, respectively. Our revenues were US$41.3 million and US$41.2 million for the three months ended March 31, 2013 and 2014, respectively. We had net income attributable to Xunlei Limited of US$3.9 million for the three months ended March 31, 2013 and US$0.4 million for the same period in 2014.

Major factors affecting our results of operations

Our business and operating results are subject to general factors affecting the internet industry in China, including overall economic growth, which has resulted in increases in disposable income and consumer spending, government and industry initiatives accelerating the technological advancement and growth of internet industry, the growth of internet usage and penetration rate in China, strong preference of Chinese consumers for accessing digital media content, such as video, music and games, through the internet, the greater availability of digital media content on the internet, and the increasing acceptance of online advertising as part of advertisers' overall marketing strategy and spending. Our results of operations will continue to be affected by such general factors.

Our results of operations are also directly affected by a number of company-specific factors, including:

Our ability to continue to enhance and expand our service offerings and broaden our user base.

As our industry evolves rapidly and user preference for our services may change quickly, our revenues and results of operations significantly depend on our ability to continue enhancing and expanding our service offerings to meet evolving user preference and market demands, and to broaden our user base. We will continue to devote significant research, development and marketing resources to enhance, expand and promote our service offerings and value propositions to users and to continue to explore new business opportunities and tap into new demographics and segments of internet users.

We have a proven track record of developing our service offerings to successfully address preferences of China's internet users. To address deficiencies of digital media content transmission over the internet in China, we provide users with quick and easy access to digital media content on the internet through two core products and services, Xunlei Accelerator and our cloud acceleration subscription services, available to users for free and for a subscription fee, respectively. To meet our users' digital media content access and consumption needs, we have further developed various value-added services, including Xunlei Kankan, online game services and pay per view services. As part of our cloud-based home and mobile strategies, we are increasingly expanding our services to living room though set-top boxes and other audio video entertainment devices, and to mobile devices. Furthermore, we focus more on user behaviors and study users' life cycles on our platform, so that we can offer relevant services at the right time and encourage users to continue using our services. We believe that continuing to enhance and expand our service offerings and broaden our reach to multiple internet-enabled devices will help us maintain and expand our user base.

Our ability to further monetize our user base.

Our revenues and results of operations depend on our ability to further monetize our large user base, to convert more users to subscribers and to increase the spending of our subscribers.

With enhanced knowledge of user behavior and preferences, we are able to convert more users to subscribers by offering a diverse range of premium services tailored to their individual needs. Our cloud acceleration subscription services, offer users value-added services for speed, and we had approximately 5.2 million subscribers as of March 31, 2014. Our pay per view services, launched in the second half of 2012, provide subscribers with access to our comprehensive content library of movies, TV and entertainment titles. These subscribers totaled approximately 155,000 as of March 31, 2014.

We intend to further monetize our user base and convert users to subscribers by expanding our offering of value-added services, such as cloud-based storage and implementation of cross device media access. We plan to provide one-stop services for our users, in terms of accessing digital media content and storage and synchronization of content across devices. Through these initiatives, we expect to grow the number of our subscribers.

Our ability to maintain our technology leadership and cost-efficient infrastructure.

Our results of operations depend on our ability to maintain our technology leadership, in particular, the performance of our cloud acceleration technology. This technology enables users to access content in an efficient manner. Our proprietary technology and highly scalable massive distributed computing network is our core competitive advantage, enabling us to deliver superior transmission acceleration services and streaming user experience. Our resource discovery network leverages our distributed computing power, computing and storage capacity and significantly reduces our reliance on servers operated by us, which in turn provides us with a clear cost advantage over our competitors. As part of our expansion strategy, we plan to devote substantial resources to research and development in order to better serve our users. Therefore, the expenses associated with our research and development are expected to increase in the near future.

Our ability to control our costs and operating expenses.

Our results of operations depend on our ability to control our costs and operating expenses. We expect our bandwidth costs to continue to increase as we grow our business and increase the number of subscribers. As we further expand our content library on Xunlei Kankan, our content cost will increase, which may affect our near-term profit margin, although we aim to secure the content in a cost efficient manner. In particular, we focus on licensing more newly released professionally produced content for Xunlei Kankan to attract users and enter into exclusive arrangements with TV stations to secure quality content, making our platform and user base more attractive to our advertisers. Our gross margin will be affected if our revenues do not grow in line with the increase in our content library for Xunlei Kankan. We also expect increased headcount as we grow our business, especially since we will invest in research and development to maintain our technology leadership.

Description of certain statement of operations items

Revenues

We derive our revenues primarily from cloud acceleration subscription services, online advertising and other internet value-added services including online games, content

sublicensing and pay per view services. The following table sets forth the principal components of our revenues by amounts and percentages of our revenues for the periods presented.

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2011		2012		2013		2013 (unaudited)		2014 (unaudited)	
(in thousands of US$, except for percentages)	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Subscriptions	25,574	29.2	51,055	34.4	86,733	48.1	18,839	45.6	24,849	60.3
Online advertising	38,331	43.8	61,795	41.7	48,028	26.7	11,933	28.9	7,518	18.3
Other internet value-added services	23,566	27.0	35,350	23.9	45,483	25.2	10,547	25.5	8,823	21.4
Total	87,471	100.0	148,200	100.0	180,244	100.0	41,319	100.0	41,190	100.0

Subscriptions. We introduced our cloud acceleration subscription services in March 2009 and we generate revenues from providing our users with exclusive services, such as access to high-speed online transmission, premium acceleration or access privileges, for a time-based subscription fee. The standard subscription fee is RMB10 (US$1.6) per month or RMB99 (US$15.8) per year, and we introduced subscription packages of RMB15 (US$2.4) per month or RMB149 (US$23.8) per year in 2012 and RMB30 (US$4.8) per month in late 2013 to cater to subscribers' different demands for acceleration speed and user experience, which are becoming increasingly popular among our subscribers. Our subscription revenues, as a percentage of our revenues, increased from 29.2% in 2011 to 34.4% in 2012 and further to 48.1% in 2013, and this percentage increased from 45.6% in the three months ended March 31, 2013 to 60.3% in the same period in 2014. We expect that the absolute amount of subscriptions revenues will continue to increase over time as we focus on further growing our subscriber base.

The most significant factor that directly affects our subscription revenues is the number of subscribers. We plan to further expand our subscriber base in the future by expanding our offering of fee-based services. We expect to improve the percentage of our subscribers to our overall user base. The following table sets forth the number of subscribers for our acceleration services we had as of the periods presented.

As of	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
Number of subscribers (in thousands)	2,791	2,871	3,173	3,574	4,017	4,404	4,432	4,435	5,087	5,170

Online advertising. Our online advertising revenues are derived principally from various forms of advertisements that we place on Xunlei Kankan. A significant majority of our advertisers purchase our online advertising services through third-party advertising agencies. As is customary in the advertising industry in China, we pay rebates to third-party advertising agencies and recognize revenues net of these rebates.

Historically, we placed advertisements on Xunlei Kankan and Xunlei Accelerator. In the first half of 2013, we made a decision to discontinue delivering advertisements on Xunlei Accelerator to further improve our user experience and enhance user engagement on Xunlei Accelerator. In the future, we will continue to focus on offering video advertisement on Xunlei Kankan, and we may not generate additional advertising revenues from Xunlei Accelerator from 2014 onwards.

The following table sets forth the online advertising revenues we derive from different platforms by amounts and percentages of our total online advertising revenues for the periods presented:

	For the Year Ended December 31,						For the Three Months Ended March 31,	
	2011		2012		2013		2014 (unaudited)	
(in thousands of US$, except for percentages)	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Xunlei Kankan	27,041	70.5	44,962	72.8	44,884	93.5	7,486	99.6
Xunlei Accelerator	11,290	29.5	16,833	27.2	3,144	6.5	32	0.4
Total online advertising revenues	38,331	100.0	61,795	100.0	48,028	100.0	7,518	100.0

The most significant factors that directly affect our online advertising revenues are the average spending per advertiser and the number of advertisers that use our online advertising services.

The average spending per advertiser was approximately US$79,000 in 2011. In 2012, we took initiatives to streamline our advertising service strategies to focus on increasing the average spending of our advertisers and to deepen relationship with them and as a result the average spending per advertiser increased significantly to approximately US$147,000 in 2012. The same number decreased to approximately US$120,000 in 2013, and such number decreased from approximately US$94,000 in the three months ended March 31, 2013 to approximately US$73,000 for the same period in 2014. The amount of average advertising spend per advertiser is the result of our total advertising revenues during a given period divided by the number of advertisers for that period.

The number of advertisers that use our online advertising services was 485 in 2011, and decreased slightly to 420 in 2012 and further to 399 in 2013, and the same number decreased from 127 in the three months ended March 31, 2013 to 103 for the same period in 2014. We calculate the number of advertisers during a given period as the number of advertisers to whom we have delivered advertising services during that period. An advertiser to whom we have delivered services more than once in a period is counted as one advertiser for that period.

Other internet value-added services. We actively seek new business opportunities that complement our existing core acceleration and video streaming related services offerings to further improve our overall user experience. We primarily derive other internet value-added services revenues from online games, content sublicensing and pay per view services. Revenues from other internet value-added services increased from US$23.6 million in 2011 to US$35.4 million in 2012 and US$45.5 million in 2013, and the same number decreased from US$10.5 million in the three months ended March 31, 2013 to US$8.8 million for the same period in 2014.

A significant portion of revenues of other internet value-added services were generated from our online games. For the web games, we had approximately 49,000, 162,000 and 210,000 paying users for the years ended December 31, 2011, 2012 and 2013, and 77,799 paying users in the three months ended March 31, 2014. For the MMOGs, we had approximately 23,000, 292,000 and 181,000 paying users for the years ended December 31, 2011, 2012 and 2013, and 38,987 paying users in the three months ended March 31, 2014. The increase of paying users from 2011 to 2012 was primarily due to the launch of new games and updated versions of the old games. We calculate the number of paying users during a given period as the cumulative number of users that have purchased virtual items or other products and services for our web games or MMOGs at

least once during the relevant period. The amount of revenue attributable to our new games with an operating history of less than 12 months is approximately US$0.2 million in 2011, US$4.4 million in 2012, US$1.9 million in 2013 and US$2.7 million in the three months ended March 31, 2014, respectively, representing 4.1%, 28.5%, 6.2%, 44.5% of our total revenues from online games in 2011, 2012, 2013 and in the three months ended March 31, 2014, respectively. The amount of revenue attributable to our old games with an operating history of more than 12 months is approximately US$5.0 million in 2011, US$11.1 million in 2012, US$28.8 million in 2013 and US$3.5 million in the three months ended March 31, 2014, respectively. In addition, our top five games accounted for approximately 4.0%, 7.7%, 11.5% and 8.1% of our total revenues in 2011, 2012, 2013 and in the three months ended March 31, 2014, respectively.

Cost of revenues

Our cost of revenues consists primarily of (i) bandwidth costs, (ii) content costs, (iii) payment handling fees, (iv) depreciation of servers and other equipment and (v) games revenue sharing costs and others. The following table sets forth the components of our cost of revenues by amounts and percentages of our revenues for the periods presented:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2011		2012		2013		2013 (unaudited)		2014 (unaudited)	
(in thousands of US$, except for percentages)	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Bandwidth costs	11,543	13.2	22,211	15.0	35,454	19.6	7,714	18.7	10,334	25.1
Content costs	27,681	31.7	46,671	31.5	35,964	20.0	7,927	19.2	8,047	19.5
Payment handling fees	5,569	6.4	8,505	5.7	12,401	6.9	3,084	7.5	3,165	7.7
Depreciation of servers and other equipment	2,572	2.9	3,271	2.2	4,317	2.4	949	2.3	1,363	3.3
Games revenue sharing costs and others	703	0.8	3,354	2.3	5,124	2.8	1,109	2.6	955	2.3
Total	48,068	55.0	84,012	56.7	93,260	51.7	20,783	50.3	23,864	57.9

Bandwidth costs. Bandwidth 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 is a significant component of our cost of revenues. We expect our bandwidth costs to increase on an absolute basis primarily due to an increased need for bandwidth to support the growth of our premium acceleration services for our subscribers and our user traffic on Xunlei Kankan. We believe that our distributed computing network provides us significant cost advantages in providing transmission and streaming services compared with traditional client-server architecture that may require considerably more investment in infrastructure, including servers and bandwidth, to support the same level of user activities.

Content costs. Content costs primarily consist of content licensing fees that we pay to copyright owners or content distributors to expand our content library for Xunlei Kankan. Our content costs increased significantly from 2011 to 2012 primarily due to the fast expansion of our content library on Xunlei Kankan, especially with a focus on licensing more premium content as well as exclusive rights on certain movies and television series to attract users. The increase of our content costs is also due to an increase in unit cost of content acquisition of professionally produced content due to the increased market demand for such content in China. Furthermore, starting from April 2011, based on an accumulation of data gathered on historical viewing patterns of our content, we changed the content amortization method from straight line to accelerated method. We expect that although we will continue our investment in the content library, the content cost will not significantly increase in the near term as we aim to secure the content in a cost efficient manner.

Payment handling fees. Payment handling fees are the fees we pay to payment channels for cloud acceleration subscription services, online games and other paid services. Users can make payments for such services through third-party online, fixed phone line and mobile phone payment channels. These third-party payment channels typically charge a handling fee for their services. Our subscribers used to make subscription payments through mobile phones. However, as mobile carriers generally charge higher handling fees than other channels, we have modified our subscription fee structure to encourage our subscribers to use other available payment channels. We expect such payment handling fees to increase as we continue to grow our subscription-based and other paid service offerings.

Depreciation of servers and other equipment. Depreciation expenses for servers and other equipment that are directly related to our business operations and technical support are included in our cost of revenues. We expect our depreciation expenses to increase on an absolute basis as we continue to invest in additional servers and other equipment to accommodate the growth of our user and subscriber base, but to decrease as a percentage of our revenues over time.

Games revenue sharing costs and others. These costs mainly represent the share of online game revenue remitted to developers of exclusive licensed games.

Operating expenses

Our operating expenses consist of (i) research and development expenses, (ii) sales and marketing expenses and (iii) general and administrative expenses. The following table sets forth the components of our operating expenses by amounts and percentages of our revenues for the periods presented:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2011		2012		2013		2013 (unaudited)		2014 (unaudited)	
(in thousands of US$, except for percentages)	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Research and development expenses	12,142	13.9	20,357	13.7	28,832	16.0	6,093	14.7	7,079	17.2
Sales and marketing expenses	10,966	12.5	20,219	13.6	26,610	14.8	4,443	10.8	5,027	12.2
General and administrative expenses	18,601	21.3	18,474	12.5	23,073	12.8	4,409	10.7	6,068	14.7
Total	41,709	47.7	59,050	39.8	78,515	43.6	14,945	36.2	18,174	44.1

Research and development expenses. Research and development expenses consist primarily of salaries and benefits for our research and development personnel. Expenditures incurred during the research phase are expensed as incurred. Expenditures incurred for the development of the acceleration products prior to the establishment of technological feasibility are expensed when incurred. We expect our research and development expenses to increase in the near term as we continue to expand our research and development team to develop new products.

Sales and marketing expenses. Sales and marketing expenses consist primarily of salaries, sales commissions and benefits for our sales and marketing personnel and marketing and promotional expenses. We expect our sales and marketing expenses to increase in the near term as we expect to hire additional sales personnel and invest in brand enhancement efforts.

General and administrative expenses. General and administrative expenses consist primarily of salaries and benefits, professional service fees and other administrative expenses. We expect our general and administrative expenses to increase in the near term as our business continues to grow and we incur increased costs related to complying with our reporting obligations under the U.S. securities laws as a public company.

Taxation

Cayman Islands

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains. Additionally, there is no withholding tax on dividends paid by us to our shareholders.

China

On March 16, 2007, the PRC National People's Congress promulgated the EIT Law, adopting a unified EIT rate of 25%. In addition, the EIT Law also provides a five-year transitional period starting from its effective date for those enterprises that were established before the date of promulgation of the EIT Law and that were entitled to preferential income tax rates under the then effective tax laws or regulations. On December 26, 2007, the State Council issued the "Circular for Implementation of the Transitional Preferential Policies for the Enterprise Income Tax." Pursuant to this Circular, the transitional income tax rates for enterprises established in the Shenzhen Special Economic Zone before March 16, 2007 were 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

As approved by the relevant tax authority, Giganology Shenzhen was further exempt from EIT for two years commencing from the first year of profitable operation after offsetting prior years' tax losses, followed by a 50% reduction for the next three years, or 2-year Exemption and 3-year 50% Reduction, as a software enterprise. The first year of profit operation of Giganology Shenzhen was 2006. According to the EIT Law, Giganology Shenzhen could still enjoy the tax holidays which were grandfathered by the EIT Law in 2011. Accordingly, the applicable EIT rates for Giganology Shenzhen were 24%, 25% and 25% for the year ended December 31, 2011, 2012 and 2013, and 25%, for the three months ended March 31, 2014.

On April 14, 2008, relevant PRC governmental regulatory authorities released further qualification criteria, application procedures and assessment processes for meeting the High and New Technology Enterprise, or HNTE status under the EIT Law which would entitle qualified and approved entities to a favorable statutory tax rate of 15%. In April 2009, the State Administration for Taxation, or SAT, issued Circular Guoshuihan [2009] No. 203 stipulating that entities qualified for the HNTE status should apply with the relevant tax authorities to enjoy the reduced EIT rate of 15% provided under the EIT Law starting from the year when the HNTE certificate becomes effective. In addition, an entity qualified for the HNTE status can continue to enjoy its remaining tax holiday from January 1, 2008 provided that it has obtained the HNTE certificate according to the new recognition criteria set by the EIT Law and the relevant regulations. In February 2011, Shenzhen Xunlei obtained the HNTE certificate with effect from January 1, 2011.

According to a policy of the PRC State tax bureau, enterprises that engage in research and development activities are entitled to claim 150% of the research and development expenses incurred in a year as tax deductible expenses in determining their tax assessable profits for that year, or Super Deduction. Shenzhen Xunlei has been claiming this Super Deduction in ascertaining its tax assessable profits and brought forward tax losses from 2009 onwards. In addition, following the approval by the relevant tax authority in July 2010, Shenzhen Xunlei was recognized as an enterprise engaged in software development activities. Accordingly, it is entitled to a tax holiday of 2-year Exemption and 3-year 50% Reduction from 2010 onwards. In

December 2013, Shenzhen Xunlei obtained the certificate of the Key Software Enterprise for the years ended December 31, 2013 and 2014, which enables Shenzhen Xunlei to enjoy the preferential tax rate of 10% for the year of 2013. As a result, the applicable tax rate of Shenzhen Xunlei for the years ended December 31, 2011, 2012 and 2013 were 0%, 12.5% and 10%, respectively, and the applicable tax rate for the three months ended March 31, 2014 was 10%.

Pursuant to the relevant PRC regulations, Xunlei Computer is entitled to the 2-year Exemption and 3-year 50% Reduction treatment. The first year of profitable operation of Xunlei Computer is 2013. Our other subsidiaries and VIE's subsidiaries, which were established after January 1, 2008, are subject to EIT at a rate of 25%.

In addition, according to the EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC are subject to PRC withholding tax, or WHT, at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is generally applicable to any dividends to be distributed from Giganology Shenzhen and Xunlei Computer to us out of any profits of Giganology Shenzhen and Xunlei Computer derived after January 1, 2008. Although Xunlei Computer and Giganology Shenzhen had retained earnings as of March 31, 2014, the directors of the company decided to reinvest the retained earnings permanently in China and therefore no such WHT is required.

Internal control over financial reporting

In preparing our consolidated financial statements, we and our independent registered public accounting firm identified a material weakness, a significant deficiency and other control deficiencies in our internal control over financial reporting as of December 31, 2013. As defined in standards established by the PCAOB, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified related to a lack of accounting resources in U.S. GAAP and SEC reporting requirements, and the significant deficiency identified related to a lack of documented comprehensive U.S. GAAP accounting manuals and financial reporting procedures and lack of related implementation controls. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness or significant deficiency in our internal control over financial reporting, as we and they will be required to do once we become a public company. 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.

To remedy our identified material weakness, significant deficiency and other control deficiencies in connection with preparation of our consolidated financial statements, we have adopted several measures to improve our internal control over financial reporting. For example, we hired a chief financial officer and a senior financial officer, each of whom has a

solid understanding of and extensive work experience involving U.S. GAAP and SEC financial reporting. We hired two internal auditors to expand our existing internal audit team and organized training sessions regarding U.S. GAAP for our accounting staff. In addition, we plan to further increase the number of employees with knowledge of U.S. GAAP and SEC regulations within our finance and accounting departments, implement a comprehensive ERP system and continue to provide our accounting and finance staff with U.S. GAAP training. We will continue to implement measures to remedy our internal control deficiencies in order to meet the deadline imposed by Section 404 of the Sarbanes-Oxley Act. We intend to remediate the material weakness and other control deficiencies in our internal control over financial reporting within one year after this offering. We also expect that we will incur significant costs in an amount of approximately US$2 million in the implementation of remediation measures. However, the implementation of these measures may not fully address the deficiencies in our internal control over financial reporting. We are not able to estimate with reasonable certainty the costs that we will need to incur to implement these and other measures designed to improve our internal control over financial reporting. See "Risk factors—Risks related to our business and industry—If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence in our company and the market price of our ADSs may be adversely affected."

Results of operations

The following table sets forth a summary of our consolidated results of operations by amounts and percentages of our revenues for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in

this prospectus. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2011		2012		2013		2013		2014	
(in thousands of US$ except for percentage)	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues (unaudited)	Amount	% of Revenues (unaudited)
Revenues, net of rebates and discounts	87,471	100.0	148,200	100.0	180,244	100.0	41,319	100.0	41,190	100.0
Business taxes and surcharges	(5,569)	(6.4)	(7,679)	(5.2)	(5,650)	(3.1)	(1,245)	(3.0)	(1,192)	(2.9)
Net revenues	81,902	93.6	140,521	94.8	174,594	96.9	40,074	97.0	39,998	97.1
Cost of revenues	(48,068)	(55.0)	(84,012)	(56.7)	(93,260)	(51.7)	(20,783)	(50.3)	(23,864)	(57.9)
Gross profit	33,834	38.7	56,509	38.1	81,334	45.1	19,291	46.7	16,134	39.2
Operating expenses										
Research and development expenses	(12,142)	(13.9)	(20,357)	(13.7)	(28,832)	(16.0)	(6,093)	(14.7)	(7,079)	(17.2)
Sales and marketing expenses	(10,966)	(12.5)	(20,219)	(13.6)	(26,610)	(14.8)	(4,443)	(10.8)	(5,027)	(12.2)
General and administrative expenses	(18,601)	(21.3)	(18,474)	(12.5)	(23,073)	(12.8)	(4,409)	(10.7)	(6,068)	(14.7)
Total operating expenses	(41,709)	(47.7)	(59,050)	(39.8)	(78,515)	(43.6)	(14,945)	(36.2)	(18,174)	(44.1)
Net gain/(loss) from exchanges of content copyrights	4,742	5.4	4,666	3.1	1,020	0.6	(171)	(0.4)	826	2.0
Operating (loss)/income	(3,133)	(3.6)	2,125	1.4	3,839	2.1	4,175	10.1	(1,214)	(2.9)
Interest income	270	0.3	1,377	0.9	1,189	0.7	190	0.5	387	0.9
Interest expense	(339)	(0.4)	(1,400)	(0.9)	—	—	—	—	—	—
Other income, net	1,415	1.6	564	0.4	4,679	2.6	588	1.4	1,123	2.7
Share of (loss)/income from equity investee (loss)	(7)	(0.0)	(45)	(0.0)	25	0.0	(23)	(0.1)	(56)	(0.1)
(Loss)/Income before income tax	(1,794)	(2.1)	2,621	1.8	9,732	5.4	4,930	11.9	240	0.6
Income tax benefit / (expense)	1,783	2.0	(2,239)	1.5	647	0.4	(862)	(2.1)	(62)	(0.2)
Net (loss)/income	(11)	(0.0)	382	0.3	10,379	5.8	4,068	9.8	178	0.4
Less: Net (loss)/income attributable to non-controlling interest	(1)	(0.0)	(121)	(0.1)	(283)	(0.2)	167	0.4	(219)	(0.5)
Net (loss)/income attributable to Xunlei Limited	(10)	(0.0)	503	0.3	10,662	5.9	3,901	9.4	397	1.0

Three months ended March 31, 2014 compared with three months ended March 31, 2013.

Revenues. Our revenues decreased slightly by 0.3% from US$41.3 million in the three months ended March 31, 2013 to US$41.2 million in the three months ended March 31, 2014. The decrease was mainly because the significant growth of the revenues from the subscription services was overshadowed by the decrease of revenues from the online advertising services.

Our revenues from subscription services increased by 31.9% from US$18.8 million in the three months ended March 31, 2013 to US$24.8 million for the same period in 2014. The increase was mainly attributable to a continuous increase in the number of our subscribers, which grew from 4.4 million as of March 31, 2013 to 5.2 million as of March 31, 2014.

Our online advertising revenues decreased by 37.0% from US$11.9 million in the three months ended March 31, 2013 to US$7.5 million for the same period in 2014, primarily due to less content investments. The average spending per advertiser slightly decreased from approximately US$94,000 in the three months ended March 31, 2013 to approximately US$73,000 for the same period in 2014 and the decrease was primarily due to less content investment.

Revenues derived from other internet value-added services decreased by 16.3% from US$10.5 million in the three months ended March 31, 2013 to US$8.8 million for the same period in 2014, primarily due to the decrease in content sublicensing revenues from US$2.2 million to US$0.9 million and the decrease in revenues from online games from US$6.9 million to US$6.2 million. The decrease in online games revenues was primarily attributable to the decrease in revenues derived from MMOGs and the decrease in content sublicensing revenues was due to the decrease in the exclusive contents we purchased in the three months ended March 31, 2014.

Cost of revenues. Our cost of revenues increased by 14.8% from US$20.8 million in the three months ended March 31, 2013 to US$23.9 million for the same period in 2014. The increase in our cost of revenues was primarily due to the increase in bandwidth costs associated with the expansion of our subscription and other services.

Bandwidth costs. Our bandwidth costs increased by 34.0% from US$7.7 million in the three months ended March 31, 2013 to US$10.3 million for the same period in 2014, primarily due to the increased bandwidth needs to support our subscription services and our increased provision of a larger amount of high-definition content on Xunlei Kankan. With the growth of our subscription services, bandwidth costs associated with subscription services have grown significantly.

Content costs. Our content costs were US$7.9 million and US$8.0 million in the three months ended March 31, 2013 and 2014, respectively.

Payment handling fees. Our payment handling fees increased by 2.6% from US$3.1 million in the three months ended March 31, 2013 to US$3.2 million for the same period in 2014, driven primarily by the rapid growth of our cloud acceleration subscription services.

Depreciation of servers and other equipment. Depreciation of servers and other equipment increased by 43.7% from US$0.9 million in the three months ended March 31, 2013 to US$1.4 million for the same period in 2014, as we acquired more servers and other equipment to accommodate the increased needs for acceleration and streaming services.

Games revenue sharing costs and others. These costs decreased by 13.9% from US$1.1 million in the three months ended March 31, 2013 to US$1.0 million for the same period in 2014, mainly because we generated less revenues from exclusive licensed games in 2014.

Gross profit. As a result of the above, our gross profit decreased by 16.4% from US$19.3 million in the three months ended March 31, 2013 to US$16.1 million for the same period in 2014. Gross profit margin decreased from 46.7% in the three months ended March 31, 2013 to 39.2% in the same period in 2014 due to the slight decrease in revenues and increase in cost of revenues.

Operating expenses. Our operating expenses increased by 21.6% from US$14.9 million in the three months ended March 31, 2013 to US$18.2 million for the same period in 2014, primarily due to increases in general and administrative expenses and research and development expenses and, to a lesser extent, due to an increase in sales and marketing expenses.

Research and development expenses. Our research and development expenses increased by 16.2% from US$6.1 million in the three months ended March 31, 2013 to US$7.1 million for the

same period in 2014. The increase in our research and development expenses was primarily due to increases in headcount and salaries.

Sales and marketing expenses. Our sales and marketing expenses increased by 13.1% from US$4.4 million in the three months ended March 31, 2013 to US$5.0 million for the same period in 2014. The increase in our sales and marketing expenses was primarily due to our increased spending on marketing and promotion.

General and administrative expenses. Our general and administrative expenses increased by 37.6% from US$4.4 million in the three months ended March 31, 2013 to US$6.1 million in the same period in 2014. The increase in our general and administrative expenses primarily reflected the increase in salaries and benefits for general and administrative personnel and staff, and the increase in our professional service fees.

Net (loss)/gain from exchanges of content copyrights. We enter into agreements with third parties (mainly video streaming internet platforms) to exchange digital media content, which are non-monetary and similar to barter transactions. We had net loss from such exchange of content copyrights of US$0.2 million in the three months ended March 31, 2013 and net gain of US$0.8 million in the same period in 2014. The increase in net gain corresponds to the increase in the margin of the barter transactions in 2014 which was primarily due to the higher value associated with the content surrendered in 2014.

Interest income. Our interest income increased by 103.7% from US$0.2 million in the three months ended March 31, 2013 to US$0.4 million for the same period in 2014.

Other income, net. We recorded other income of US$0.6 million in the three months ended March 31, 2013 and US$1.1 million in the same period of 2014. The increase was primarily due to the increase in subsidy income and investment income from short-term investments.

Income tax benefit/(expense). We recorded an income tax expense of US$0.8 million in the three months ended March 31, 2013 and US$0.1 million for the same period in 2014. This primarily reflected lower taxable income of our subsidiaries and VIEs.

Net (loss) income attributable to Xunlei Limited. As a result of the above, we generated net income attributable to Xunlei Limited of US$3.9 million for the three months ended March 31, 2013 and US$0.4 million for the same period in 2014.

Year ended December 31, 2013 compared with year ended December 31, 2012.

Revenues. Our revenues increased by 21.6% from US$148.2 million in 2012 to US$180.2 million in 2013. The increase was primarily due to a substantial increase in our revenues from subscription services and other internet value added services, which was partially offset by the decrease in our online advertising services as a result of our decision to discontinue delivering advertisements on Xunlei Accelerator in the first half of 2013.

Our revenues from subscription services increased by 69.9% from US$51.1 million in 2012 to US$86.7 million in 2013. The increase was mainly attributable to a significant increase in the number of our subscribers, which grew from 4.0 million as of December 31, 2012 to 5.1 million as of December 31, 2013.

Our online advertising revenues decreased by 22.3% from US$61.8 million in 2012 to US$48.0 million in 2013, primarily due to a decrease in advertising revenues from Xunlei Accelerator from US$16.8 million to US$3.1 million, as a result of our decision to discontinue delivering advertisements on Xunlei Accelerator in the first half of 2013. The average spending per advertiser slightly decreased from approximately US$147,000 in 2012 to approximately US$120,000 in 2013 and the number of advertisers decreased from 420 to 399 for the respective years.

Revenues derived from other internet value-added services increased by 28.7% from US$35.4 million in 2012 to US$45.5 million in 2013, primarily due to the increase in revenues from online games from US$15.5 million to US$30.7 million and the increase in pay per view revenues from US$0.5 million to US$2.0 million during the same period, which was partially offset by decrease in content sublicensing revenues from US$15.2 million to US$7.3 million. The increase in online games revenues were primarily attributable to an increase in the number of exclusive licensed games that we operated on our platform as well as the increased popularity of our existing games. The decrease in content sublicensing revenues was due to decrease in the exclusive contents that we purchased in 2013.

Cost of revenues. Our cost of revenues increased by 11.0% from US$84.0 million in 2012 to US$93.3 million in 2013. The increase in our cost of revenues was primarily due to the increase in bandwidth costs associated with the expansion of our subscription and other services and the increase in payment handling fees, which were partially offset by the significant decrease in content costs.

Bandwidth costs. Our bandwidth costs increased by 59.6% from US$22.2 million in 2012 to US$35.5 million in 2013, primarily due to the increased bandwidth needs to support our subscription services and our increased provision of a larger amount of high-definition content on Xunlei Kankan. With the growth of our subscription services, bandwidth costs associated with subscription services have grown significantly.

Content costs. Our content costs decreased by 22.9% from US$46.7 million in 2012 to US$36.0 million in 2013, primarily because we purchased less content in 2013.

Payment handling fees. Our payment handling fees increased by 45.8% from US$8.5 million in 2012 to US$12.4 million in 2013, driven primarily by the rapid growth of our cloud acceleration subscription services.

Depreciation of servers and other equipment. Depreciation of servers and other equipment increased by 32.0% from US$3.3 million in 2012 to US$4.3 million in 2013, as we acquired more servers and other equipment to accommodate the increased needs for acceleration and streaming services.

Games revenue sharing costs and others. These costs increased by 52.8% from US$3.4 million in 2012 to US$5.1 million for the same period in 2013, mainly because we generated more revenues from exclusive licensed games in 2013.

Gross profit. As a result of the above, our gross profit increased by 43.9% from US$56.5 million in 2012 to US$81.3 million for the same period in 2013. Gross profit margin increased from 38.1% in 2012 to 45.1% in 2013 due to changes in the revenue mix.

Operating expenses. Our operating expenses increased by 33.0% from US$59.1 million in 2012 to US$78.5 million in 2013, primarily due to increases in research and development expenses and sales and marketing expenses and, to a lesser extent, due to an increase in general and administrative expenses.

Research and development expenses. Our research and development expenses increased by 41.6% from US$20.4 million in 2012 to US$28.8 million in 2013. The increase in our research and development expenses was primarily due to increases in headcount and salaries.

Sales and marketing expenses. Our sales and marketing expenses increased by 31.6% from US$20.2 million in 2012 to US$26.6 million in 2013. The increase in our sales and marketing expenses was primarily due to our increased spending on marketing and promotion and, to a lesser extent, due to increases in headcount and salaries.

General and administrative expenses. Our general and administrative expenses increased by 24.9% from US$18.5 million in 2012 to US$23.1 million in 2013. The increase in our general and administrative expenses was primarily due to the increase of professional services fees, the impairment charge of US$0.8 million for one of our online games, increase in bad debt expenses of US$0.2 million relating to the deterioration of a limited number of our small to medium size advertising agency customer's accounts receivables and expenses associated with a property we leased in October 2012 as our new office premises in Shenzhen.

Net gain from exchanges of content copyrights. We enter into agreements with third parties (mainly video streaming internet platforms) to exchange digital media content, which are non-monetary and similar to barter transactions. We had net gains from such exchange of content copyrights of US$4.7 million in 2012 and US$1.0 million in 2013. The decrease in net gain corresponds to the decrease in the content we purchased in 2013.

Interest income. Our interest income decreased by 13.7% from US$1.4 million in 2012 to US$1.2 million in 2013.

Interest expense. Our interest expense decreased from US$1.4 million in 2012 to zero in 2013, because we repaid our outstanding bank loans in 2013.

Income tax benefit/(expense). We recorded an income tax expense of US$2.2 million in 2012 and an income tax benefit of US$0.6 million in 2013. This primarily reflected lower corporate income tax, the increased tax holiday available to Shenzhen Xunlei, and the higher deferred tax assets recognized in 2013 due to the change in the tax rate.

Net (loss) income attributable to Xunlei Limited. As a result of the above, we generated net income attributable to Xunlei Limited of US$0.5 million in 2012 and US$10.7 million in 2013.

Year ended December 31, 2012 compared to year ended December 31, 2011

Revenues. Our revenues increased by 69.4% from US$87.5 million in 2011 to US$148.2 million in 2012. The increase was primarily due to a substantial increase in our revenues from subscription services and online advertising services.

Revenues from subscription services increased significantly by 99.6% from US$25.6 million in 2011 to US$51.1 million in 2012. The increase was mainly attributable to a significant increase

in the number of our subscribers, which grew from 2.8 million of December 31, 2011 to 4.0 million of December 31, 2012.

Our online advertising revenues increased by 61.2% from US$38.3 million in 2011 to US$61.8 million in 2012, primarily due to a significant increase in the average spending per advertiser from approximately US$79,000 in 2011 to approximately US$147,000 in 2012, which was in turn attributable to our initiatives to streamline our advertising service strategies in 2012. The increase, in light of the different advertising service platforms, was attributable to the increase of online advertising revenues contributed by Xunlei Kankan in the amount of US$18.0 million and to a lesser extent by Xunlei Accelerator in the amount of US$5.5 million. The number of advertisers decreased from 485 in 2011 to 420 in 2012.

Revenues derived from other internet valued-added services increased by 50.0% from US$23.6 million in 2011 to US$35.4 million in 2012, primarily due to the increase in revenues from online games from US$5.2 million to US$15.5 million, the generation of pay per view revenues of US$0.5 million in 2012 as we started to provide online video subscription services that year and the increase in sublicensing revenues from US$14.8 million in 2011 to US$15.2 million in 2012. The increase in online games revenues was primarily attributable to an increase in the number of exclusive licensed games that we operated on our platform as well as the increased popularity of our existing games.

Cost of revenues. Our cost of revenues increased by 74.8% from US$48.1 million in 2011 to US$84.0 million in 2012. The increase in our cost of revenues was mainly due to the increase in content costs primarily associated with the expansion of Xunlei Kankan and the increase in bandwidth costs and payment handling fees as we grew our subscription services.

Bandwidth costs. Our bandwidth costs increased by 92.4% from US$11.5 million in 2011 to US$22.2 million in 2012, primarily due to the increased bandwidth needs to support our subscription services and our increased high-definition content on Xunlei Kankan. Since we introduced our subscription services in 2009, bandwidth costs associated with such services have grown significantly.

Content costs. Our content costs increased by 68.6% from US$27.7 million in 2011 to US$46.7 million in 2012, primarily due to our continuous efforts to expand our Kankan library, and to license more premium content and exclusive rights on certain movies and television series for sublicensing. The increase of our content costs is also due to the amortization of our content copyrights on an accelerated basis as a result of the change in our accounting policy in April 2011.

Payment handling fees. Our payment handling fees increased by 52.7% from US$5.6 million in 2011 to US$8.5 million in 2012, driven primarily by the rapid growth of our subscription services.

Depreciation of servers and other equipment. Depreciation of servers and other equipment increased by 27.2% from US$2.6 million in 2011 to US$3.3 million in 2012, as we acquired more servers and other equipment to accommodate the increased needs for acceleration and streaming services.

Games revenue sharing costs and others. These costs increased significantly by 377.1% from US$0.7 million in 2011 to US$3.4 million in 2012, mainly because we generated more revenues from exclusive licensed games in 2012.

Gross profit. As a result of the above, our gross profit increased by 67.0% from US$33.8 million in 2011 to US$56.5 million in 2012.

Operating expenses. Our operating expenses increased by 41.6% from US$41.7 million in 2011 to US$59.1 million in 2012, primarily due to an increase in research and development expenses and sales and marketing expenses.

Research and development expenses. Our research and development expenses increased by 67.7% from US$12.1 million in 2011 to US$20.4 million in 2012. The increase in our research and development expenses was primarily due to increases in headcount and salaries.

Sales and marketing expenses. Our sales and marketing expenses increased by 84.4% from US$11.0 million in 2011 to US$20.2 million in 2012. The increase in our sales and marketing expenses was primarily due to our increased spending on marketing and promotion and, to a lesser extent, due to increases in headcount and salaries.

General and administrative expenses. Our general and administrative expenses slightly decreased from US$18.6 million in 2011 to US$18.5 million in 2012.

Net gain from exchanges of content copyrights. We had net gains from the exchange of content copyrights of US$4.7 million in 2011 and 2012, respectively.

Interest income. Our interest income increased by 410.0% from US$0.3 million in 2011 to US$1.4 million in 2012.

Interest expense. Our interest expense increased from US$0.3 million in 2011 to US$1.4 million in 2012, because we borrowed more bank loans in 2012.

Income tax benefit/(expense). We recorded an income tax benefit of US$1.8 million in 2011 which was primarily due to a deferred tax asset resulting from the change in the corporate tax rate, offset by a deferred tax liability recognized in relation to taxes applicable to unremitted retained earnings and reserves expected to be paid by the VIE to Giganology Shenzhen. We recorded an income tax expense of US$2.2 million in 2012. The change primarily reflected higher taxable income, lower deferred tax assets recognized as well as an increase in the deferred tax liability provided in 2012. These were partially offset by the tax impact that Shenzhen Xunlei claimed 150% of its research and development expenses in assessing its taxable income.

Net (loss) income attributable to Xunlei Limited. As a result of the above, we incurred net loss attributable to Xunlei Limited of US$0.01 million in 2011 and net income of US$0.5 million in 2012.

Selected quarterly results of operations

The following table sets forth our unaudited condensed consolidated quarterly results of operations for each of the eight quarters in the period from April 1, 2012 to March 31, 2014. You should read the following table in conjunction with our audited consolidated financial

statements and the related notes included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated quarterly financial information on the same basis as our audited consolidated financial statements. The unaudited condensed consolidated financial information includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the quarters presented.

Selected quarterly results

	For the three months ended							
(in thousands of US$)	**Jun 30, 2012 (unaudited)**	**Sept 30, 2012 (unaudited)**	**Dec 31, 2012 (unaudited)**	**Mar 31, 2013 (unaudited)**	**Jun 30, 2013 (unaudited)**	**Sept 30, 2013 (unaudited)**	**Dec 31, 2013 (unaudited)**	**Mar 31, 2014 (unaudited)**
Revenues, net of rebates and discounts								
Subscription revenue	11,268	13,909	15,855	18,839	21,037	22,948	23,909	24,849
Advertising revenue	14,198	20,889	17,067	11,933	13,489	12,917	9,689	7,518
Other internet value-added services	7,378	9,083	11,369	10,547	12,319	12,656	9,961	8,823
Revenues, net of rebates and discounts	32,844	43,881	44,291	41,319	46,845	48,521	43,559	41,190
Business taxes and surcharges	(2,005)	(2,760)	(1,283)	(1,245)	(1,692)	(1,413)	(1,301)	(1,192)
Net revenues	30,839	41,121	43,008	40,074	45,153	47,108	42,258	39,998
Cost of revenues	(18,911)	(21,751)	(21,036)	(20,783)	(21,653)	(22,959)	(27,866)	(23,864)
Gross profit	**11,928**	**19,370**	**21,972**	**19,291**	**23,500**	**24,149**	**14,392**	**16,134**
Operating expenses[1]								
Research and development expenses	(4,625)	(5,738)	(5,913)	(6,093)	(6,612)	(7,594)	(8,533)	(7,079)
Sales and marketing expenses	(4,143)	(6,478)	(6,451)	(4,443)	(6,170)	(8,263)	(7,734)	(5,027)
General and administrative expenses	(4,589)	(4,649)	(4,901)	(4,409)	(4,354)	(5,508)	(8,803)	(6,068)
Total operating expenses	**(13,357)**	**(16,865)**	**(17,265)**	**(14,945)**	**(17,136)**	**(21,365)**	**(25,070)**	**(18,174)**
Net (loss) / gain from exchanges of content copyright	**(270)**	**401**	**1,161**	**(171)**	**(26)**	**519**	**699**	**826**
Operating (loss) / income	(1,699)	2,906	5,868	4,175	6,338	3,303	(9,979)	(1,214)
Interest income	332	420	410	190	283	413	303	387
Interest expense	(454)	(491)	(61)	—	—	—	—	—
Other (loss) / income, net	(132)	(32)	142	588	613	853	2,625	1,123
Share of (loss) / income from equity investee	(102)	19	49	(23)	155	(5)	(102)	(56)
(Loss) / income before income tax	**(2,055)**	**2,822**	**6,408**	**4,930**	**7,389**	**4,564**	**(7,153)**	**240**
Income tax benefit / (expenses)	265	(787)	(3,211)	(862)	(1,587)	932	2,164	(62)
Net (loss) / income	**(1,790)**	**2,035**	**3,197**	**4,068**	**5,802**	**5,496**	**(4,989)**	**178**
Less: net (loss) / income attributable to non-controlling interest	(161)	27	217	167	(23)	(163)	(264)	(219)
Net (loss) / income attributable to Xunlei Limited[2]	**(1,629)**	**2,008**	**2,980**	**3,901**	**5,825**	**5,659**	**(4,725)**	**397**

(1) Share-based compensation expenses were allocated in operating expenses as follows:

	For the three months ended							
(in thousands of US$)	**Jun 30, 2012**	**Sept 30, 2012**	**Dec 31, 2012**	**Mar 31, 2013**	**Jun 30, 2013**	**Sept 30, 2013**	**Dec 31, 2013**	**Mar 31, 2014**
Research and development expenses	287	305	272	235	254	235	249	191
Sales and marketing expenses	12	12	10	9	9	10	15	12
General and administrative expenses	312	318	191	84	113	137	746	859
Total share-based compensation expenses	611	635	473	328	376	382	1,010	1,062

(2) Our preferred shareholders have the right to participate in dividends pari passu with our common shareholders on an as-converted basis.

Our quarterly revenues were primarily affected by the substantial increases in our revenues generated from subscription services and other internet value-added services and the changes in our advertising revenues in the eight quarters in the period from April 1, 2012 to March 31, 2014.

- Since we commercialized cloud acceleration subscription services in March 2009, our revenues from these services increased significantly from approximately US$11.3 million in the three months ended June 30, 2012 to approximately US$24.8 million in the three months ended March 31, 2014. The increase was the result of a significant rise in the number of our subscribers.

- Our online advertising revenues decreased significantly from approximately US$17.1 million in the fourth quarter of 2012 to approximately US$11.9 million in the first quarter of 2013. After we had achieved historical high advertising revenues in the third quarter of 2012 derived principally from the advertisements we placed on Xunlei Kankan and Xunlei Accelerator, we made a decision in the first quarter of 2013 to discontinue delivering advertisements on Xunlei Accelerator to further improve our users' experience and enhance user engagement on Xunlei Accelerator. Subsequently, we have been substantially decreasing advertisements on Xunlei Accelerator and, accordingly, online advertising revenues further decreased from approximately US$13.5 million in the second quarter of 2013 to approximately US$7.5 million in the first quarter of 2014.

- Revenues from our internet value-added services increased from approximately US$7.4 million in the second quarter of 2012 to approximately US$12.7 million in the third quarter of 2013. Such revenues primarily came from online games, which accounted for a significant portion of our internet value-added services during the said period. The decrease of revenues in the first and fourth quarters of 2013 and the first quarter of 2014 was primarily because revenues from our content sub-licensing services decreased as a result of the impact of our decreased content acquisition in 2013 and revenues from key online games did not achieve the returns as we projected for them. However, we expect our overall internet value-added services to increase in the subsequent quarters of 2014 as we continue our investment in online games and our content library.

Our cost of revenues generally increased in the eight quarters ended March 31, 2014 as we continued to expand our business and incurred significant bandwidth costs and content costs in preparation for our future growth. The absolute amount of cost of revenues and our cost of revenues as a percentage of revenues significantly increased from the third quarter of 2013 to the fourth quarter of 2013 primarily due to additional bandwidth costs as a result of our need to increase investment to compete effectively.

Liquidity and capital resources

To date, we have financed our operations primarily through cash generated from operations, private placements of preferred shares to investors and bank loans. As of March 31, 2014, we had US$302.4 million in cash and cash equivalents. As of the same date, we did not have any outstanding bank loans. We believe that our cash and the anticipated cash flow from operations and financings will be sufficient to meet our anticipated cash needs for the next 12 months.

We generate a significant portion of our revenues from customers in the advertising industry. Although our general credit term for our customers is 90 days, we typically are willing to accept delayed repayment up to one year from the invoice date given the general practices we

have with our customers in the advertising industry. Our practice and collection history may continue to have an impact on our liquidity.

In the future, we may rely on dividends and other distributions on equity paid by our wholly-owned PRC subsidiaries for our cash and financing requirements. There may be potential restrictions on the dividends and other distributions by our PRC subsidiaries. For instance, if Giganology Shenzhen, our PRC subsidiary, 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. The PRC tax authorities may require us to adjust our taxable income under the contractual arrangements Giganology Shenzhen currently has in place with Shenzhen Xunlei in a way that would materially and adversely affect the latter's ability to pay dividends and other distributions to us. In addition, under PRC laws and regulations, Giganology Shenzhen, 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. Wholly foreign-owned enterprises such as Giganology Shenzhen are required to set aside at least 10% of their accumulated after-tax profits each year, if any, to fund a statutory reserve fund, until the aggregate amount of such fund reaches 50% of their respective registered capital. At their discretion, wholly foreign-owned enterprises may allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. See "Risk factors—Risk related to our corporate structure—We may rely principally on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of Giganology Shenzhen and Xunlei Computer to pay dividends to us could have a material adverse effect on our ability to conduct our business." In addition, our investment made as registered capital and additional paid in capital of our subsidiaries, VIE and VIE's subsidiaries are also subject to restrictions in their distribution and transfer according to the laws and regulations in China. Owing to the above, our subsidiaries, VIE and VIE's subsidiaries in China are restricted in their ability to transfer their net assets to us in terms of cash dividends, loans or advances. As of December 31, 2012 and 2013, and March 31, 2014, the amount of the restricted net assets, which represents registered capital and additional paid-in capital cumulative appropriations made to statutory reserves, was US$45.0 million, US$49.2 million and US$49.2 million, respectively.

As an offshore holding company, we are permitted, under PRC laws and regulations to provide funding from the proceeds of our offshore fund raising activities to our PRC subsidiaries only through loans or capital contributions, and to our variable interest entity only through loans, subject to the satisfaction of the applicable government registration and approval requirements. 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 subsidiaries and variable interest entities or to make additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business" and see "Risk factors—Risks related to doing business in China—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." As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries or variable interest entity when needed. Notwithstanding the

forgoing, our PRC subsidiary, Giganology Shenzhen may use its own retained earnings (as opposed to RMB converted from foreign currency denominated capital) to provide financial support to Shenzhen Xunlei either through extended payment terms on amounts due to Giganology Shenzhen from Shenzhen Xunlei, or via entrusted loans from Giganology Shenzhen to Shenzhen Xunlei, or direct loans to its nominee shareholders, which would be contributed to the variable interest entity as capital injection. Such direct loans to the nominee shareholders would be eliminated in the consolidated financial statements against the VIE's share capital.

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

	For the Year Ended December 31,			For the Three Months Ended March 31,	
(in thousands of US$)	2011	2012	2013	2013 (unaudited)	2014 (unaudited)
Net cash generated from operating activities	18,277	59,914	85,533	16,590	15,019
Net cash used in investing activities	(36,875)	(49,490)	(78,352)	(18,179)	(5,130)
Net cash generated from financing activities	50,032	17,692	2,487	1,307	199,620
Net increase (decrease) in cash	31,434	28,116	9,668	(282)	209,509
Cash and cash equivalents at the beginning of year/period	21,353	53,349	81,906	81,906	93,906
Effect of exchange rate changes	562	441	2,332	169	(1,054)
Cash and cash equivalents at the end of year/period	53,349	81,906	93,906	81,793	302,361

As of March 31, 2014, we had cash or cash equivalents of approximately RMB474.3 million (US$77.1 million) and US$10.7 million located within the PRC, of which RMB396.9 million (US$64.5 million) is held by Shenzhen Xunlei and its subsidiaries. We also had cash or cash equivalents of RMB64.8 million (US$10.5 million), US$204.0 million and 0.5 million Hong Kong dollars (US$0.1 million) located outside of the PRC as of March 31, 2014.

Operating activities

Net cash generated from operating activities amounted to US$15.0 million in the three months ended March 31, 2014, which was primarily attributable to a net income of US$0.2 million, adjusted for certain non-cash expenses consisting principally of depreciation and amortization expenses of US$10.4 million, share-based compensation of US$1.1 million and a net change in working capital. The net change in working capital was primarily due to the decrease of accounts receivable amounting to US$5.8 million, which was in line with the decrease of our advertising revenues and the increase in accounts payable amounting to US$1.6 million primarily attributable to the increased procurement of bandwidth, partially offset by the increase in prepayment of other assets amounting to US$2.5 million.

Net cash generated from operating activities amounted to US$85.5 million in 2013, which was primarily attributable to a net income of US$10.4 million, adjusted for certain non-cash expenses consisting principally of depreciation and amortization expenses of US$43.4 million, share-based compensation of US$2.1 million and a net change in working capital. The net change in working capital was primarily due to the decrease of accounts receivable amounting to US$13.7 million, which was in line with the decrease of our advertising revenues, an increase in deferred revenue of US$12.6 million as a result of increase in our subscription fees prepaid

by our subscribers, and the increase in accounts payable of US$5.9 million primarily attributable to the increased procurement of bandwidth.

Net cash generated from operating activities amounted to US$59.9 million in 2012, which was primarily attributable to a net income of US$0.4 million, adjusted for certain non-cash expenses consisting principally of depreciation and amortization expenses of US$54.6 million, share-based compensation of US$2.2 million and a net change in working capital. The net change in working capital was primarily due to the increase in accrued liabilities and other payable of US$10.9 million arising from an increase in accrual of sales rebates of online advertising and accrued payroll and employees benefit provision, and the increase in deferred revenue in the amount of US$8.5 million as our subscription revenues grew rapidly, partially offset by the increase of accounts receivable of US$17.8 million as a result of the increase in online advertising revenues.

Net cash generated from operating activities amounted to US$18.3 million in 2011, which was primarily attributable to a net loss of US$0.01 million, adjusted for certain non-cash expenses consisting principally of depreciation and amortization expenses of US$32.1 million, and partially offset by a net change in working capital. The net change in working capital was primarily due to the increase of accounts receivable of US$19.9 million as a result of the increase in online advertising revenues and content sublicensing revenues, and the increase of prepayment and other assets amounting to US$3.0 million to cope with the increasing scale of operations, which was partially offset by the increase in accrued liabilities and other payable of US$6.6 million arising from increase in accrual of sales rebates of online advertising and the increase in deferred revenue in the amount of US$4.9 million which increased in line with the growth of our subscription business.

Investing activities

Net cash used in investing activities largely reflects purchases of property and equipment in connection with the expansion and upgrade of our technology infrastructure, and purchases of intangibles assets.

Net cash used in investing activities amounted to US$5.1 million in the three months ended March 31, 2014, which was primarily attributable to purchase of short-term investment of US$83.4 million, purchase of intangible assets of US$9.1 million and acquisition of property and equipment of US$3.8 million, partially offset by proceeds from disposal of short-term investment of US$92.0 million.

Net cash used in investing activities amounted to US$78.4 million in 2013, primarily attributable to the purchase of short-term investment of US$246.2 million, and purchase of intangible assets in the amount of US$36.0 million, partially offset by proceeds from disposal of short-term investments of US$213.5 million.

Net cash used in investing activities amounted to US$49.5 million in 2012, mainly attributable to the purchase of intangible assets in the amount of US$32.6 million, the acquisition of property, plant and equipment in the amount of US$7.4 million and the purchase of short-term investment of US$6.5 million.

Net cash used in investing activities amounted to US$36.9 million in 2011, attributable to the purchase of intangible assets in the amount of US$32.0 million and acquisition of property, plant and equipment in the amount of US$4.2 million.

Financing activities

Net cash generated from financing activities amounted to US$199.6 million in the three months ended March 31, 2014, which was primarily due to our issuance of series E preferred shares of US$200 million, partially offset by payment of initial public offering expenses of US$0.4 million.

Net cash generated from financing activities amounted to US$2.5 million in 2013 due to government grant received.

Net cash provided by financing activities amounted to US$17.7 million in 2012 due to our proceeds from series D preferred share issuance and series D warrants issuance of US$35.5 million and proceeds from bank borrowings of US$20.5 million, partially offset by repayment of bank borrowings of US$41.2 million.

Net cash provided by financing activities amounted to US$50.0 million in 2011 due to our proceeds from series C preferred share issuance of US$29.4 million and proceeds from bank borrowing of US$20.6 million.

Capital expenditures

We made capital expenditures of US$4.2 million, US$7.4 million, US$7.4 million and US$3.8 million in the years ended December 31, 2011, 2012 and 2013 and in the three months ended March 31, 2014, respectively. In the past, our capital expenditures were primarily used to purchase servers and other equipment for our business. Our capital expenditures may increase in the near term as our business continues to grow.

Contractual obligations and commercial commitments

The following table sets forth our rental and bandwidth lease commitments as of March 31, 2014:

		Payment due by period		
(in thousands of US$)	Total	Less than 1 year	1-2 years	2-3 years
Operating lease obligations[(1)]	4,814	2,801	1,320	693
Bandwidth lease obligations	24,733	21,818	2,520	395

(1) Operating lease obligations are primarily related to the lease of office space. These leases expire on different dates.

As of March 31, 2014, we had irrevocable purchase obligations for certain copyrights and online game licenses that had not been recognized in the amount of US$8.4 million and US$6.6 million, respectively.

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. In addition, we have not entered into any derivative contracts that are indexed to our own shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

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 4.9% in 2011 and 2.6% in 2012, respectively. 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.

Market risks

Foreign exchange risk

Our financing activities are denominated mainly in U.S. dollars. The Renminbi ("RMB") is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and conversion of foreign currencies into RMB require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies. The revenues and expenses of our subsidiaries, and the consolidated VIE and its subsidiaries are generally denominated in RMB and their assets and liabilities are denominated in RMB. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the RMB because the value of our business is effectively denominated in RMB, while the 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 People's Bank of China. 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 People's Bank of China announced that the PRC government would further reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. 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 common 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.

Interest rate 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. We have not used derivative financial instruments in our investment portfolio. 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.

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 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

1. Subscription revenues

We operate a VIP subscription program where subscribers can have access to acceleration services and other access privileges. The subscription fee is time-based and is collected up-front from subscribers except in the cases when they elect to pay via their mobile operators. The subscription fee is collected when the subscribers pay for their monthly phone bills. The terms of time-based subscriptions range from one to twelve months, with the subscribers having the option to renew the contracts. The receipt of subscription fees is initially recorded as deferred revenue and revenues are recognized ratably over the period of subscription as services are rendered. Unrecognized portion of the subscription fee beyond 12 months from balance sheet date is classified as non-current liability. We evaluated the principal versus agent criteria and determined that we are the principal in the transaction and accordingly record revenues on a gross basis. In determining whether to report revenues gross for the amount of subscription revenues, we assesses whether it maintains the principal relationship with the VIP subscribers, whether it bears the credit risk and whether it establishes prices for the end users. Payment handling fees levied by online system, fixed phone line and mobile payment channels are recorded as the cost of revenues in the same period as the revenues for the subscription fee are recognized.

2. Advertising revenues

Advertising revenues are derived principally from advertising arrangements where the advertisers pay to place their advertisements on our platform in different formats over a particular period of time. Such formats include but are not limited to videos, banners, links, logos and buttons.

Advertisements on our platform are charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided. We enter into advertising contracts with third-party advertising agencies that represent advertisers, as well as directly with advertisers. A typical contract term would range from a few days to three months. Both third party advertising agencies and direct advertisers are billed at the end of the display period and payments are due usually within three months.

Where our customers purchase multiple advertising spaces with different display periods in the same contract, we allocate the total consideration to the various advertising elements based on their relative fair values and recognize revenues for the different elements over their respective display periods. We determine the fair values of different advertising elements based on the prices charged when these elements were sold on a standalone basis. We recognize revenues

on the elements delivered and defer the recognition of revenues for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the contract period, revenues are recognized on a straight line basis over the contract period.

a) Transactions with third-party advertising agencies

For contracts entered into with third-party advertising agencies, the third-party advertising agencies will in turn sell the advertising services to advertisers. Revenues are recognized ratably over the contract period of display based on the following criteria:

- There is a persuasive evidence that an arrangement exists: we will enter into framework and execution contracts with the advertising agencies, specifying price, advertising content, format and timing;
- Price is fixed and determinable: price charged to the advertising agencies is specified in the contracts, including relevant discount and rebate rates;
- Services are rendered: we recognize revenues ratably over the contract period of display; and
- Collectability is reasonably assured: we assess credit history of each advertising agency before entering into any framework and execution contracts. If the collectability from the agencies is assessed as not reasonably assured, we recognize revenues only when the cash is received and all the other revenues criteria are met.

We provide sales incentives in the forms of discounts and rebates to third party advertising agencies based on purchase amount. As the advertising agencies are viewed as the customers in these transactions, revenues are recognized based on the price charged to the agencies, net of sales rebates provided to the agencies. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales amount based on historical experience.

We regularly monitor sales amount from each customer and adjust our estimated rebate at the end of each reporting period. Annual sales rebates are assessed on a quarterly basis based on the contracted rebate rates and the estimated sales amount for the full year, and actual sales to date and estimated sales for the rest of the year. Such rebates are adjusted at the year end based on actual sales amount achieved.

b) Transactions with advertisers

We also enter into advertisement contracts directly with advertisers. Under these contracts, similar to transactions with third-party advertising agencies, we recognize revenues ratably over the contract period of display. The terms and conditions, including price, are fixed according the contracts between us and the advertisers. We also perform credit assessment of all advertisers prior to entering into contracts. Revenues are recognized based on the amount charged to the advertisers, net of discounts.

3. Other internet value-added services

(1) Online game revenues

Users play games through our platform free of charge and are charged for purchases of virtual items including consumable and perpetual items, which can be utilized in the online games to enhance their game-playing experience. Consumable items represent virtual items that can be consumed by a specific user within a specified period of time. Perpetual items represent virtual items that are accessible to the users' account over the life of the online game. Pursuant to

contracts signed between us and the game developers, revenues from the sale of virtual items are shared based on a pre-agreed ratio for each game. We enter into both non-exclusive and exclusive licensing contracts with game developers.

a) Non-exclusive game licensed contracts

The games under non-exclusive licensed contracts are maintained, hosted and updated by the game developers. We mainly provide access to our platform and limited after-sale services to the game players. The determination of whether to record these revenues using the gross or net method is based on an assessment of various factors; the primary factors are whether we act as the principal in offering services to the game players or as agent in the transactions, and the specific requirements of each contract. We have determined that for non-exclusive game licensed arrangements, the third party game developers are the principal given that the game developers design and develop the game services offered, have reasonable latitude to establish prices of virtual items, and are responsible for maintaining and upgrading the game content and virtual items. Accordingly, we record online game revenues, net of the portion remitted to the game developers.

Given that online games are managed and administered by the game developers for non-exclusive licensed games, we do not have access to the data on the consumption details and the types of virtual items purchased by the game players. However, we have data of when a particular user makes a purchase and logs into the game. We have adopted a policy to recognize revenues relating to both consumable and perpetual items, over the shorter of (1) estimated lives of the games and (2) the estimated lives of the user relationship with us, which were approximately two to six months for the periods presented.

Adjustments arising from the change of estimated lives of virtual items are applied prospectively as such change results from new information indicating a change in the game player behavioral patterns.

b) Exclusive game licensed contracts

For exclusive licensed contracts with game developers, the games are maintained and hosted by us. Accordingly, where we are determined to be the principal, we record online game revenues on a gross basis, with the amount remitted to the game developers reported as cost of revenues. Payment handling fees are recognized as cost of revenues when the related revenues are recognized.

For exclusive licensed games which are maintained on our servers, we have access to the data on the consumption details and types of virtual items purchased by the game players. We do not maintain information on consumption details of virtual items, and only have limited information related to the frequency of log-ons. Given that a substantial portion of the virtual items purchased by the game players in exclusive licensed games are perpetual items, our management has determined that it would be most appropriate to recognize the related revenues over the shorter of (1) estimated lives of the games and (2) estimated life of the user relationship with us, which is approximately three months. Revenues relating to consumable items are recognized immediately upon consumption. Any changes in our estimates of lives of virtual items may result in our revenues being recognized on a basis different from prior periods and may cause our operating results to fluctuate.

For both non-exclusive and exclusive licensed games, we estimate the life of virtual items to be the shorter of the estimated lives of the games and the estimated lives of the user relationship.

The estimated user relationship period is based on data collected from those users who have purchased virtual items. To estimate the life of the user relationship, we maintain a software system that captures the following information for each user: the date of first log-in, the date of first purchase for a virtual item, the date of last purchase for a virtual item and the date the user ceases to play the game. We estimate the life of the user relationship to be the average period from the first purchase of a virtual item to the date the user ceases to play the game. The estimate of the life of the user relationship is based only on the data of those users who have purchased virtual items and is made on a game-by-game basis.

To estimate the date the user plays the game for the last time, we selected all paying users that logged on during a particular month and continue to track these users' log-on behaviors over at least a six-month period to determine if each user is "active" or "inactive," which is determined based on a review of the period of inactivity or idle period from the user's last log-on. We observe the behaviors of these users to see whether they subsequently return to a game based on different inactive periods (e.g. not logging on) of one month, two months, three months and so forth. The percentage of users calculated that do not log back on is estimated to be the probability that users will not return to the game after a certain period of inactivity.

We consider a paying player to be inactive once he or she has reached a period of inactivity for which it is probable (defined as at least 80%) that a player will not return to a specific game. We believe that using an 80% threshold for the likelihood that a player will not return to a game is a reasonable estimate that achieves the magnitude of "probable" under the threshold described in ASC 450 Contingencies. We have consistently applied this threshold to our analysis. Based on our assessment, the inactive period ranges generally from one to three months depending on the games.

To estimate the life of the games, we consider both games that we operate as well as games in the market that are of a similar nature. We group these games by their nature, in categories such as simulation games, role playing games and others, which appeal to players belonging to different demographics. We estimate that the life of each group of the games to be the average period from the date of launch for such games to the date the games are expected to be removed from the website or terminated altogether. When we launch a new game, we estimate the life of the game and user relationship based on lives of other similar games in the market until the new game establishes its own history. We also consider the game's profile, attributes, target audience, and its appeal to players of different demographic groups in estimating the user relationship period.

The consideration of user relationship with each online game is based on our best estimate that takes into account all known and relevant information at the time of assessment. Adjustments arising from the changes of estimated lives of virtual items are applied prospectively as such changes are resulted from new information indicating a change in the game player behavioral patterns. Any changes in our estimates of lives of virtual items may result in our revenues being recognized on a basis different from prior periods and may cause our operating results to fluctuate. We periodically assess the estimated lives of the virtual items and any changes from prior estimates are accounted for prospectively. Any adjustments arising from changes in user relationship as a result of new information will be accounted as a change in accounting estimate in accordance with ASC 250 Accounting Changes and Error Corrections.

Game players can purchase virtual currency via an online payment channel. We incur service fees levied by these payment channels, and such payment expenses are recorded as the cost of revenues when the related revenues are recognized.

(2) Content sub-licensing revenues

With copyright content that has been exclusively licensed to us, we have the right to sub-license the broadcasting rights on a recurring basis to third parties. We generate revenues from sub-licensing these broadcasting rights to third party customers, mainly video streaming internet platforms for cash, at a fixed rate for a fixed period of time that falls within the original exclusive license period. Revenues are recognized in full at the later of the delivery of the copy of the content with acceptance acknowledged by the customers and the commencement of the license period, as we are not obliged to provide any other services. We perform credit assessment of our customers prior to entering into contracts to ensure that collection of the arrangement fee is reasonably assured. We have no on-going obligation after delivery of the copy of the content.

(3) Pay per view revenues

We operate a pay per view program in which subscribers pay a monthly fee to watch and access a collection of movie contents. The subscription fee is time-based and is collected up-front from subscribers except in the cases where they elect to pay via their mobile operators. The subscription fee is collected when the subscribers pay for their monthly phone fees. The terms of time-based subscriptions range from one month to twelve months, with the subscribers having the option to renew the contracts. The receipt of payment is initially recorded as deferred revenue and revenue is recognized ratably over the period of subscription as services are rendered.

Viewers can also pay to watch each individual movie for an unlimited number of times. Revenues are recognized when the movie is broadcasted to the viewers.

Barter transactions

We also enter into agreements with third parties (mainly video streaming internet platform) to exchange content. The exchanged content provides rights for each respective party only to broadcast the content received on its own website; though, each party retains the right to continue broadcasting and or sub-license the rights to the content it surrendered in the exchange. These transactions are non-monetary transactions similar to barter transactions, and we follow ASC 845, Non-Monetary Transactions and ASC 360-10, Property, Plant, and Equipment.

Such barter transactions should be recorded at fair value of the surrendered assets in the transaction unless such fair value is not determinable within reasonable limits. We estimated the fair value of the content by gathering "price reference" of cash sub-licensing transaction of each exclusive content right and categorizing it into two buckets (1) cash transaction prices with established counterparties and (2) cash transaction prices with less established counterparties. With this information, we calculate an "average cash transaction price" for each category to be used as a reference for the non-monetary transaction. The attributable cost of the related exclusive Content Copyright surrendered is released and recorded as the cost of the barter transaction in accordance with ASC 926 Entertainment—Films in which the cost is computed using the individual-film-forecast-computation method. This method calculates such cost based on the ratio of the estimated fair value of the exchanged content over the

aggregate estimated fair value to be generated by the exclusive Content Copyrights for their whole license period or estimated useful lives. We revisit the forecast at each quarter or year end and make adjustment, when appropriate.

Share-based compensation

We awarded a number of share-based compensation options to our employees, officers and directors. The details of these share-based awards and the respective terms and conditions are described in "Share-based compensation" in note 17 to our audited consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 and note 17 to our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2013 and 2014.

Options are accounted for as equity-classified awards because there are no explicit repurchase rights specified in the award documents and the number of shares of our common shares issued under these awards are fixed and determined at the time of grants. All options are measured based on the fair value of the award on the grant date and recognized as compensation expenses based on the straight-line vesting method, net of estimated forfeitures, over the requisite service period, which is generally the vesting period.

The following table sets forth the options granted that were outstanding as of March 31, 2014:

Date of Option Grant	Options outstanding	Exercise price (US$)	Fair value of options (US$)	Fair value of ordinary shares (US$)
prior to 2012	19,689,838	—	—	—
March 1, 2012	254,542	3.97	1.01	2.83
August 1, 2012	15,917	3.97	1.10	3.01
March 1, 2013	75,000	3.97	1.17	3.20
August 1, 2013	445,000	3.97	1.13	3.23
November 18, 2013	456,761	2.11–3.97	0.99–1.60	3.15
March 5, 2014	492,000	2.93-3.97	0.91-1.20	3.06
Total	21,429,058			

We estimate the fair value of share options granted using the Black-Scholes option pricing model. The key assumptions used to determine the fair value of the options at the relevant grant dates were as follows:

	For the Year Ended December 31,			For the Three Months Ended March 31,
	2011	2012	2013	2014
Risk-free interest rate[1]	1.32% to 2.26%	0.67% to 0.92%	0.77% to 1.76%	0.77% to 1.76%
Dividend yield[2]	—	—	—	—
Volatility rate[3]	50.3% to 51.4%	53.9% to 54.5%	43.8% to 51.3%	40.07% to 43.30%
Expected term (in years)[4]	4.58	4.58	4.58	4.58

Notes:

(1) The risk-free interest rates of periods within the contractual life of the share options is based on the U.S. dollar Chinese government bond yield data from Bloomberg as of the valuation dates;

(2) We have no history or expectation of paying dividends on our common stock;

(3) Expected volatility is estimated based on the average historical volatilities of shares of the comparable publicly listed companies from Bloomberg as of the valuation dates; and

(4) The expected term is estimated by assuming the share options will be exercised in the middle point between the vesting dates and maturity dates.

We also awarded a number of restricted shares to our executive officers. On November 18, 2013, December 31, 2013, March 5, 2014 and March 31, 2014, we granted 7,605,238, 490,000, 1,830,000 and 270,000 restricted shares to our executive officers, respectively. In March 2014, 3,427,620 restricted shares were forfeited, and these are available for future grants to executive officers. The details of these share-based restricted shares and the respective terms and conditions are described in "Share-based compensation" in note 17 to our audited consolidated financial statements for the years ended December 31, 2011, 2012 and 2013 and note 17 to our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2013 and 2014.

The restricted shares are accounted for as equity-classified awards because there are no explicit repurchase rights specified in the relevant documents and the number of shares of our common shares issued under these awards is fixed and determined at the time of grants. All restricted shares are measured based on the fair value of the awards on the grant date and recognized as compensation expenses based on the straight-line vesting method net of estimated forfeitures over the requisite service period. Upon the completion of this offering, the administrator of the applicable share incentive plan may immediately accelerate the vesting of restricted shares, and however, we have no plan to accelerate the vesting of the restricted shares upon the completion of this offering.

From April 1, 2014 to the date of this prospectus, we granted 689,700 restricted shares to our executive officers and employees. The compensation costs that we expect to record for these grants will be approximately US$2.3 million.

Total compensation costs recognized for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014, respectively, are as follows:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
(In thousands of US$)	2011	2012	2013	2013 (unaudited)	2014 (unaudited)
Sales and marketing expenses	73	46	43	9	12
General and administrative expenses	1,128	1,102	1,080	84	859
Research and development expenses	898	1,085	973	235	191
Total	2,099	2,233	2,096	328	1,062

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

Fair value of our common shares

Prior to the completion of this offering, we are a private company with no quoted market prices for our common shares. We have therefore estimated, with assistance from an

independent valuation firm, the fair value of our common shares at certain dates in 2011, 2012, 2013 and in the three months ended March 31, 2014.

The following table sets forth the fair values of our common shares estimated from March 21, 2011 to March 31, 2014:

Date	Fair Value of common shares (per share)	Type of methodology	Type of valuation	Purpose of valuation
March 21, 2011	5.65	Income approach	Contemporaneous	Valuation of ESOP
April 14, 2011	5.18	Income approach	Contemporaneous	Series C valuation
August 1, 2011	3.60	Income approach	Contemporaneous	Valuation of ESOP
January 31, 2012	3.36	Income approach	Contemporaneous	Series D valuation
March 1, 2012	2.83	Income approach	Contemporaneous	Valuation of ESOP
August 1, 2012	3.01	Income approach	Contemporaneous	Valuation of ESOP
March 1, 2013	3.20	Income approach	Contemporaneous	Valuation of ESOP
August 1, 2013	3.23	Income approach	Contemporaneous	Valuation of ESOP
November 18, 2013	3.15	Income approach	Contemporaneous	Valuation of ESOP (including restricted shares)
December 31, 2013	3.14	Income approach	Contemporaneous	Valuation of ESOP (including restricted shares)
March 5, 2014	3.06	Income approach	Contemporaneous	Series E valuation and valuation of ESOP (including restricted shares)
March 31, 2014	3.06	Income approach	Contemporaneous	Valuation of ESOP (including restricted shares)

We estimated the fair value of our common shares based on valuations performed by our management with the assistance of an independent valuer for options granted after January 1, 2008 and through March 31, 2014. Determining the fair values of our common shares requires our management to make complex and subjective judgments regarding our projected financial and operating results, the unique business risks, the liquidity of our common shares and operating history and prospects at the time of each grant. Therefore, these fair values are inherently uncertain and highly subjective.

In determining the fair values of our common shares as of each award grant date, we consider a number of objective and subjective factors that we believe market participants would consider, including (a) our business, financial condition, and results of operations, including related industry trends affecting our operations; (b) our forecasted operating performance and projected future cash flows; (c) the illiquid nature of our common shares; (d) liquidation preferences and other rights and privileges of our common shares; (e) market multiples of our most comparable public peers; (f) recent sales of our securities; and (g) market conditions affecting our industry. Therefore, we considered three generally accepted approaches to value our common shares: market approach, cost approach and income approach. We believe that the market approach and cost approach are inappropriate for the valuation. Firstly, the market approach requires market transactions of comparable assets as an indication of value, and we have not identified any current market transactions which are comparable. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the underlying business. We decided to rely upon the income approach as the sole means of valuation since we believe we are a later-stage enterprise as opposed to an early-stage enterprise. We believe we have enough financial data on which to base a forecast of future results. In applying the income approach to determine the value of our common shares, a discount was applied to reach the final valuation of our common shares based on the fact that, inasmuch as we are a private company, there are impediments to liquidity, including lack of

publicly available information and the lack of a trading market. The discounted cash flow method is a method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate.

The major assumptions used in calculating the fair values of our common shares include:

- Weighted average cost of capital, or WACC: WACCs of 17.3%, 18.8%, 17.9%, 17.2%, 20.5%, 20.5%, 18.2%, 18.2%, 18.5%, 18.5%, 18.2% and 18.2% were used for dates as of March 21, 2011, April 14, 2011, August 1, 2011, January 31, 2012, March 1, 2012, August 1, 2012, March 1, 2013, August 1, 2013, November 18, 2013, December 31, 2013, March 5, 2014 and March 31, 2014, respectively. The WACCs were determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk membership, company size and non-systematic risk factors;

- Comparable companies: In deriving the WACCs, which are used as the discount rates under the income approach, three China-based online marketing companies and one U.S.-based online marketing company, all of which are listed in the U.S., were selected for reference as our guideline companies.

- The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts. Our revenues and earnings growth rates, as well as major milestones that we have achieved, contributed significantly to the change in the fair value of our common shares from March 2011 to March 2014. However, these fair values are inherently uncertain and highly subjective. The assumptions used in deriving the fair values are consistent with our business plan. These assumptions include: the projected business performances can be achieved with the effort of our managements; there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect our business; the operational and contractual terms stipulated in the relevant contracts and agreements will be honored; and the facilities and systems proposed are sufficient for future expansion in order to realized the growth potential of the business and maintain a competitive edge;

- For the income approach, we forecasted our future debt-free net cash flows for five to six years subsequent to the valuation date and applied a H Model to calculate the terminal debt-free cash flow after five to six years. The net cash flow was then discounted to present value using a risk-adjusted discount rate, which was based on market inputs using a capital asset pricing model that reflected the risks associated with achieving our forecasts. The terminal or residual value at the end of the projection period was based on the H Model with the terminal growth rate assumed to be 3% for all the valuation dates. The resulting terminal value and interim debt-free cash flows were then discounted at a rate ranging from 17.3% to 20.5% for the respective valuation date which was based on the weighted average cost of capital of comparable companies, as adjusted for our specific risk profile.

- Our total equity value was then allocated among the preferred shares and common shares. The valuation model allocated the equity value between the common shares and the preferred shares and calculated the fair value of common shares based on the option-pricing method. Under this method, common shares have value only if the funds available for distribution to shareholders exceed the value of the liquidation preference at the time of a liquidity event (for example, merger or sale). The common shares are considered to be a call option with claim on the equity above the exercise price equal to the liquidation preferences of the preferred shares.

- Discount for lack of marketability, or DLOM, a discount for lack of marketability was also applied to reflect the fact that there is no ready public market for our shares as we are a closely held private company. When determining the discount for lack of marketability, the Black-Scholes option model was used. Under the option pricing method, the fair value of the put option, which can hedge against a price decline before the privately held shares can be sold, was considered as a basis to determine the discount for lack of marketability. Based on the analysis, a discount for lack of marketability of 6%, 9%, 18%, 19%, 26%, 26%, 19%, 16%, 14%, 14%, 12% and 12% was used on March 21, 2011, April 14, 2011, August 1, 2011, January 31, 2012, March 1, 2012, August 1, 2012, March 1, 2013, August 1, 2013, November 18, 2013, December 31, 2013, March 5, 2014 and March 31, 2014, respectively, for the valuation of our common shares, when we conducted valuations on these dates in 2011, 2012, 2013 and the three months ended March 31, 2014. These assumptions are inherently uncertain. Different assumptions and judgments would affect our calculation of the fair value of the underlying common shares for the options granted, and the valuation results and the amount of share-based compensation expenses would also vary accordingly.

We believe that the increase in fair value of our common shares from US$2.83 per common share as of March 1, 2012 to US$3.01 per common share as of August 1, 2012 is primarily attributable to the fast growth of our subscription business during this period. Our subscribers for subscription services increased from approximately 3.2 million as of June 30, 2012 to approximately 3.6 million as of September 30, 2012.

We believe that the increase in fair value of our common shares from US$3.01 per common share as of August 1, 2012 to US$3.20 per common share as of March 1, 2013 is primarily attributable to the continued growth of our subscription business during this period. Our subscribers for subscription services increased from approximately 3.6 million as of September 30, 2012 to approximately 4.4 million as of March 31, 2013.

We believe that the increase in fair value of our common shares from US$3.20 per common share as of March 1, 2013 to US$3.23 per common share as of August 1, 2013 is primarily attributable to the continued growth of our subscription business and online game business during this period.

We believe that the decrease in fair value of our common shares from US$3.23 per common share as of August 1, 2013 to US$3.14 per common share as of December 31, 2013 is primarily attributable to the following factors:

- The growth of revenues recently was more moderate compared to our previous forecast;
- The growth of our cost structure outpaced that of revenues, which impacted our profitability in the near term; and
- We granted restricted shares to our officers, which impacted the value per share.

We believe that the decrease in fair value of our common shares from US$3.14 per common share as of December 31, 2013 to US$3.06 per common share as of March 31, 2014 is primarily because the growth during the first quarter of 2014 was slower than the previous projection.

Fair value of our series C convertible preferred shares

In addition to our common shares, we have determined the fair value of the series C convertible preferred shares. The result of which is used to determine amortization of the associated beneficial conversion feature. Consistent with common shares discussed above, the determination of the fair value of our series C convertible preferred shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risk, the liquidity of these shares and our operating history and prospects at the time of valuation.

The major assumptions used in calculating the fair values of our series C convertible preferred shares include:

- Event scenario—Our best estimation of the occurrence and the timing of (1) a liquidation event or (2) an initial public offering, or IPO, event. The probability of the occurrence of an IPO is assumed to be 95% and the probability of the occurrence of a liquidation event is assumed to be 5%.

- Risk free rate—The risk free rate used in the liquidation and the IPO scenario is assumed to be 0.1%, the 0.67 year US Treasury Bonds & Notes Yield. The risk free rate used in the redemption scenario is assumed to be 0.47%, the 4 year US Treasury Bonds & Notes Yield.

- Volatility—The volatility estimate is based on the average volatility of the stock returns of selected comparable companies listed in the US stock market which are engaged in the similar line of business. The volatility assumed to be 39.6%. Three China-based online marketing companies and one U.S.-based online marketing company, all of which are listed in the U.S., were selected for reference as our guideline companies.

The option-pricing method was used to allocate enterprise value to preferred and ordinary shares, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid, "Valuation of Privately-Held Company Equity Securities Issued as Compensation". The method treats common stock and preferred stock as call options on the enterprise's value, with exercise prices based on the liquidation preference of the preferred shares.

Modification of our series C convertible preferred shares

Upon issuance of the series D preferred shares in January 2012, we adjusted the conversion price of the series C preferred shares from US$5.24 per share to US$4.14 per share; and obtained an exclusive option to purchase at any time within 12 months after January 2012 all of series C preferred shares at the purchase price of US$4.607 per share. The conversion price of the series C preferred shares could be adjusted for any share dividends, sub-division and consolidation, and unpaid dividend. As a result of this modification, we will issue a total of 7,248,293 common shares on a fully-converted basis of the original 5,728,264 series C preferred shares. Other terms of the series C preferred shares including the original liquidation rights remained unchanged.

We concluded that the downward conversion price adjustment from US$5.24 per share to US$5.13 per share is in accordance with the anti-dilution clause in the original financing agreement for the series C preferred shares. The incremental downward price adjustment from US$5.13 per share to US$4.14 per share and the right to an exclusive purchase option are accounted for as modifications of the terms of series C preferred shares. The incremental value contributed by the series C preferred shareholder amounts to US$2,905,000 and is deemed to be a wealth transfer between the preferred shareholder and common shareholders and charged to additional paid-in capital.

In January 2014, we modified the anti-dilution terms relating to 5,613,699 series C preferred shares held by one investor. The modification effectively amended the anti-dilution triggering price from US$4.14 to US$2.81 per share. The incremental downward trigger price adjustment from US$4.14 to US$2.81 is accounted for as modifications of the terms of series C preferred shares. The incremental value contributed by the series C preferred shareholder was deemed to

be a transfer of value between the preferred shareholders because the change in the value of the common shares before and after the modification was deemed to be negligible. We concluded that this can suggest that most of the value was transferred from this series C preferred shareholder to another existing preferred shareholder. No accounting charge was recorded.

Triggering of the anti-dilution clause of series C convertible preferred shares

Upon issuance of series E preferred shares in March 2014, we adjusted the series C conversion price from USD$4.14 to US$3.64 per share relating to 114,565 Series C preferred shares held by another investor. We concluded that the downward conversion price adjustment is in accordance with the anti-dilution clause in the series C financing documents. As a result of this anti-dilution, we will issue a total of 164,771 common shares on a fully-converted basis of the original 114,565 series C preferred shares when the conversion right is exercised by the holder. At the time of this anti-dilution, the series C preferred shares anti-diluted in 2014 contained a beneficial conversion feature of US$57,000 and the amount was charged to retained earnings in 2014 as a deemed dividend.

Fair value of our series D convertible redeemable preferred shares

In addition to our common shares, we have determined the fair value of the series D convertible redeemable preferred shares. The result of which is used to determine the amount of redemption value as well as the valuation of the warrant to acquire additional series D convertible redeemable preferred shares. Consistent with common shares discussed above, the determination of the fair value of our series D convertible redeemable preferred shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risk, the liquidity of these shares and our operating history and prospects at the time of valuation.

The major assumptions used in calculating the fair values of our series D convertible redeemable preferred shares include:

- Event scenario—Our best estimation of the occurrence and the timing of (1) a liquidation event, (2) an initial public offering event or (3) a redemption event. The probability of the occurrence of a liquidation event is assumed to be 30%, the probability of the occurrence of an IPO is assumed to be 60%. And the probability of the occurrence of a redemption event is assumed to be 10%.

- Risk free rate—The risk free rate is assumed to be 0.1%, the three months U.S. Treasury Bonds and Notes Yield.

- Volatility—The volatility estimate is based on the average volatility of the stock returns of selected comparable companies listed in the US stock market which are engaged in the similar line of business. The volatility is assumed to be 59.9%. Three China-based online marketing companies and one U.S.-based online marketing company, all of which are listed in the U.S., were selected for reference as our guideline companies.

Option-pricing method was used to allocate enterprise value to preferred and ordinary shares, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid, "Valuation of Privately-Held Company Equity Securities Issued as Compensation." The method

treats common stock and preferred stock as call options on the enterprise's value, with exercise prices based on the liquidation preference of the preferred stock.

Fair value of our series D warrants and series E warrants to Skyline

The holder of the series D warrants has the right to exercise the warrants at the earlier of (i) 24 months from date of this offering or (ii) immediately prior to the closing of the following transactions: (a) mergers or consolidation of Xunlei Limited, b) initial public offering, c) transaction in which in excess of 50% of our equity is transferred to any person, d) sale, transfer, lease, assignment conveyance, exchange, mortgage, or other disposition of all or substantially all of our assets. The warrants are not entitled to dividend rights nor to vote until the warrants are exercised and shares become issuable. Series D warrants are classified as a liability and initially measured at their fair value at US$3,007,000. As of December 31, 2012 and 2013, the fair value of Series D warrants was US$3,717,000 and US$2,186,000.

The warrants to purchase 1,952,663 and 266,272 series D preferred shares at US$3.38 per share expired on February 6, 2014 and March 1, 2014, respectively. On the date of the expiration, the warrants was measured at a fair value of US$2,414,000. Upon issuance of the series E preferred shares on March 5, 2014, we issued to Skyline warrants to purchase 3,406,824 series E preferred shares with an exercise price of US$2.82. These warrants are exercisable at the option of the holder, at any time, no later than the earlier of (1) the pricing date of this offering or (2) March 1, 2015. As the warrants are exercised into mezzanine equity, the warrants are classified as a liability and were initially measured at a fair value of US$2,819 thousand. As of March 31, 2014, the fair value of series E warrants was US$2,778,000.

The exchange of the series D warrants and the issuance of the series E warrants are considered to be a related transaction and are accounted for as a single transaction because the holder was willing to allow the series D warrants expire in contemplation that they will be issued series E warrants. A loss of US$405,000 which is the difference in value of the series D warrants on the expiration date and the value of the series E warrants on the issuance date, was charged to the income statement in the first quarter of 2014.

The fair value of the series D warrants and the series E warrants was estimated by us with the assistance of an independent valuation firm base on our estimates and assumptions. The valuation report provided us with guidelines in determining the fair value, but the ultimate determination was made by us. We applied the Black-Scholes Option Pricing Model to calculate the fair value of the series D warrants and series E warrants on the valuation date.

The major assumptions used in calculating the fair value of the series D warrants includes:

	February 6, 2012	December 31, 2012	December 31, 2013	February 6, 2014	March 1, 2014
Spot price[1]	3.66	4.48	4.36	4.47	4.47
Risk-free interest rate[2]	0.23%	0.15%	0.05%	0%*	0%*
Volatility rate[3]	47.3%	41.2%	30.33%	0%*	0%*
Dividend yield[4]	—	—	—	—	—

* Given that the maturity date of series D warrant was February 6, 2014 and March 1, 2014, the volatility rate and risk-free interest rate did not affect the valuation of the warrant on February 6, 2014.

The major assumptions used in calculating the fair value of the series E warrants includes:

	March 5, 2014	March 31, 2014
Spot price[1]	3.31 - 4.65	3.30 - 4.65
Risk-free interest rate[2]	0.04% - 0.12%	0.05% - 0.10%
Volatility rate[3]	38.39% - 38.81%	40.07% - 41.0%
Dividend yield[4]	—	—

(1) Spot price—based on the fair value of 100 percent equity interest of the Company which is allocated to preferred shares and common shares of the Company as at the valuation date under different scenarios.

(2) Risk-free interest rate—based on the US Treasury Bond & Notes BFV curve from Bloomberg as at the valuation date.

(3) Volatility—based on the average historical volatility of the comparable companies from Bloomberg as at the valuation date.

(4) The Company has no history or expectation of paying dividends on its common shares.

Triggering of the anti-dilution clause of series D convertible redeemable preferred shares

Upon issuance of series E preferred shares in March 2014, we adjusted the series D conversion price from US$3.5 to US$2.86 per share for 6,771,454 series D preferred shares held by Skyline. The downward conversion price adjustment was made pursuant to the anti-dilution clause in transaction documents in our series D financing. As a result of this anti-dilution, we will issue a total of 8,387,806 common shares on a fully-converted basis of the original 6,771,454 series D preferred shares when the conversion right is exercised by Skyline. For the remaining 3,808,943 Series D preferred shares held by Skyline, Skyline agreed to waive the anti-dilution clause as Skyline planned to sell these shares to us. The waiver of this anti-dilution clause is accounted for as a modification of the terms of the series D preferred shares. However, it was determined that the incremental value contributed by Skyline was deemed to be a transfer of value between the preferred shareholders because 1) the change in value of the common shares before and after the modification was deemed to be negligible and 2) the modification of the series D preferred shares were also made concurrent with the sale of the series E preferred shares. We concluded that this suggests that most of the value was transferred from Skyline to the other existing preferred shareholders. Therefore, no accounting charge was recorded.

Modification of redemption rights of series D convertible redeemable preferred shares

Upon issuance of the series E preferred shares in March 2014, we amended the redemption rights of 6,771,454 Series D preferred shares. Skyline has the right to request us to purchase its shares after February 28, 2017 but no later than February 28, 2018. Prior to the modification, the holder had the right to request us to purchase its shares after February 6, 2016 but no later than February 6, 2017. The amendment of the redemption date is accounted for as modification of the terms of Series D preferred shares. The incremental value received by the Skyline amounted to US$279,000 and was deemed to be a transfer of value between the preferred shareholder and common shareholders and the amount was charged to retained earnings.

In determining the accounting for the modification of the series D preferred shares, we estimated the valuation of the series D preferred shares with the assistance of an independent valuation firm based on our estimates and assumptions. Option-pricing method was used to allocate enterprise value to preferred and ordinary shares, taking into account the guidance

prescribed by the AICPA Audit and Accounting Practice Aid, "Valuation of Privately-Held Company Equity Securities Issued as Compensation". The method treats common stock and preferred stock as call options on the enterprise's value, with exercise prices determined based on the liquidation preference of the preferred stock. The option-pricing method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of the Company or an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of 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 its shares to range from 38.39% to 43.40% based on the historical volatility of comparable publicly traded shares of companies engaged in similar lines of business.

Modification of liquidation rights

Upon issuance of the series E preferred shares in March 2014, we amended the liquidation rights of Skyline's common shares, series A preferred shares, series A-1 preferred shares, and series B preferred shares, or Skyline Shares. As a result of this amendment, Skyline Shares have priority to receive proceeds from us upon liquidation over the common shares, series A preferred shares, series A-1 preferred shares, series B preferred shares and series C preferred shares held by other investors. The amendment of the liquidation rights is accounted for as modification of the terms of Skyline Shares. However, the incremental value received by Skyline is deemed to be negligible. No accounting charge was recorded by us. Similar to the modification of the series D preferred shares as stated above, the fair value of the series D preferred shares was estimated by us with the assistance of an independent valuation firm based on the our estimates and assumptions. The option-pricing method as described above, was also used to account for this modification. We estimated the volatility of its shares to range from 38.39% to 43.40% based on the historical volatility of comparable publicly traded shares of companies engaged in similar lines of business.

We have determined that there was no beneficial conversion feature attributable to the series D preferred shares because the initial and adjusted effective conversion prices of these preferred shares were higher than the fair value of our common shares determined by us with the assistance from an independent valuation firm.

Fair value of our series E convertible redeemable preferred shares

In addition to our common shares, we have determined the fair value of the series E convertible redeemable preferred shares to be per share US$3.56 and US$3.62 on March 5, 2014 and April 24, 2014, respectively. The result is used to determine the amount of redemption value as well as the valuation of the warrant to acquire additional series E convertible redeemable preferred shares. Consistent with common shares discussed above, the determination of the fair value of our series E convertible redeemable preferred shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risk, the liquidity of these shares and our operating history and prospects at the time of valuation.

The major assumptions used in calculating the fair values of our series E convertible redeemable preferred shares include:

Valuation as of March 5, 2014	IPO Scenario	Liquidation Scenario	Redemption Scenario
Expected Maturity Date	Jun 30, 2014	Jun 30, 2014	Feb 28, 2018
Expected Volatility(1)	38.39%	38.39%	43.40%
Risk-free interest rate(2)	0.06%	0.06%	1.18%
Expected dividend yield	—	—	—
Probability(3)	80.00%	10.00%	10.00%

Valuation as of April 24, 2014	IPO Scenario	Liquidation Scenario	Redemption Scenario
Expected Maturity Date	Jun 30, 2014	Jun 30, 2014	Feb 28, 2018
Expected Volatility(1)	43.10%	43.10%	44.03%
Risk-free interest rate(2)	0.02%	0.02%	1.29%
Expected dividend yield	—	—	—
Probability(3)	80.00%	10.00%	10.00%

Notes:

(1) Volatility—The volatility estimate is based on the average volatility of the stock returns of selected comparable companies listed in the US stock market which are engaged in the similar line of business.

(2) Risk free rate—The risk free rate is the three months U.S. Treasury Bonds and Notes Yield.

(3) Event scenario—Our best estimation of the occurrence and the timing of (1) an initial public offering event, (2) a liquidation event or (3) a redemption event.

Option-pricing method was used to allocate enterprise value to preferred and ordinary shares, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid,"Valuation of Privately-Held Company Equity Securities Issued as Compensation." The method treats common stock and preferred stock as call options on the enterprise's value, with exercise prices based on the liquidation preference of the preferred stock. We applied the Black-Scholes option pricing model to calculate the fair value of the series D warrant on the valuation date.

The fair value per share of the series E preferred shares was determined to be US$ 3.56 on March 5, 2014. The issuance price of the series E convertible redeemable preferred shares was mutually negotiated at US$2.82. The price was agreed in consideration of 1) Xiaomi brand, which is considered to be a well-recognized smartphone vendor in the China market, and 2) potential synergy that could be created from the two parties, strategic cooperation in the multi device environment.

Exchange of Xiaomi options for transfer restrictions

As part of the issuance of the series E preferred shares, Xiaomi Ventures and our founders and two other employees, or the Grantees, agreed that (i) Grantees will have the right to purchase certain number of restricted shares of Xiaomi Corporation with a total subscription consideration of not more than US$20 million at a subscription price per share that reflects the valuation of Xiaomi Corporation being US$10 billion, or Xiaomi Option; and (ii) the Grantees agreed to impose a transfer restriction on 39,934,162 common shares, 3,394,564 unvested restricted shares, and 360,000 vested and unvested share options owned by the Grantees, or

the Transfer Restriction. The Transfer Restriction prohibits the Grantees from transferring their shares to another person/party until April 24, 2019 for one of founders or April 24, 2018 for the rest of the Grantees. The Xiaomi Option and the Transfer Restriction are not tied to the Grantees' future employment with us.

The value of the Transfer Restriction was determined to be significantly greater than the value of Xiaomi Option. In determining the value of the Transfer Restriction, we were assisted by an independent valuation firm, based on data provided by us. The valuation of the Transfer Restriction is estimated to be US$43.3 million (refer to the valuation methodology below). For the valuation of the Xiaomi Option, we were only able to obtain limited financial information from Xiaomi, a private company, to perform a valuation analysis. This information includes high level 2013 revenue data and information of a third party investment transaction that valued the Xiaomi Corporation at US$10 billion in August 2013. Given the lack of financial information, we are unable to determine a more precise estimate of the fair value of the Xiaomi Option on the exchange date. If the fair value of the Xiaomi Option were worth USD43.3 million, the estimated value of the Transfer Restriction, Xiaomi Corporation itself would need to be estimated at a valuation in excess of US$30 billion on March 5, 2014. We do not expect the valuation of the Xiaomi Corporation to increase by 200% from US$10 billion in August 2013 to US$30 billion in March 2014. Hence, no incremental benefit was given to the Grantees and no compensation expense was recognized.

To determine the fair value of the Transfer Restriction, we valued the common shares with the Transfer Restriction and compared this value to the value of the common shares without the restriction. The difference was determined to be the value of the Transfer Restriction. A put option pricing model was used to determine the discount to be applied to the common shares to arrive at the value of common shares with the Transfer Restriction. Pursuant to that model, we used the cost of a put option, which can be used to hedge the price change before a share subject to transfer restriction can be sold, as the basis to determine the discount for transfer restrictions. A put option was used because it incorporates certain company-specific factors, including timing of the expected initial public offering or duration of the Transfer Restriction and the volatility of the share price companies engaged in the same industry.

Fair value of series E warrants to Xiaomi Ventures

The series E warrants granted to Xiaomi Ventures, or Xiaomi Warrants, is exercisable at the option of Xiaomi Ventures, at any time, on or after January 1, 2015 and no later than March 1, 2015. The warrants are not exercisable if we have completed this offering in the United States by December 31, 2014. The exercise price should be adjusted from time to time subject to proportionate adjustment for issuance of additional common shares, share split and combination, dividend and distributions, reclassification, reorganization, merger, and consolidations.

The warrants are not entitled to dividend rights nor to vote until the warrants are exercised and shares become issuable. The Xiaomi warrants are initially measured at its fair value and the initial carrying value for Series E preferred shares is allocated on a residual basis as the warrant is liability classified. The Xiaomi warrants were initially measured at their fair value of US$6,477,000. As of March 31, 2014, the fair value of series E warrants was US$6,459,000.

The fair value of the Xiaomi warrants were estimated by us with the assistance of an independent valuation firm based on data provided by us. The valuation report provided by us

with guidelines in determining the fair value, but the determination was made by us. We applied the Black-Scholes Option Pricing Model to calculate the fair value of the Series E Warrants on the valuation date.

The major assumptions used in calculating the fair value of the Xiaomi warrants includes:

	March 5, 2014	March 31, 2014
Spot price[1]	4.50 - 4.65	4.49 - 4.65
Risk-free interest rate[2]	0.12%	0.10%
Volatility rate[3]	38.81%	40.07%
Dividend yield[4]	—	—

(1) Spot price—based on the fair value of 100 percent equity interest of Xunlei Limited which is allocated to our preferred shares and common shares as at the valuation date under different scenarios. The probability of the occurrence of an initial public offering is assumed to be 80%, the probability of the occurrence of a liquidation event is assumed to be 10% and the probability of the occurrence of a redemption event is assumed to be 10%

(2) Risk-free interest rate—based on the US Treasury Bond & Notes BFV curve from Bloomberg as at the valuation date.

(3) Volatility—based on the average historical volatility of the comparable companies from Bloomberg as at the valuation date.

(4) We has no history or expectation of paying dividends on its common shares.

Fair value of subscription rights to Xiaomi Ventures

Within three months after March 5, 2014, Xiaomi Ventures shall have the right to purchase, or designate any other person/party to subscribe from us an additional number of 35,487,746 series E preferred shares, at a price equal to the purchase price per share (US$2.82) of the Series E issuance. The exercise price will be adjusted from time to time subject to proportionate adjustment for issuance of additional common shares, share split and combination, dividend and distributions, reclassification, reorganization, merger, and consolidations. The subscription rights are not entitled to dividend rights nor to vote until the subscription rights have been exercised and shares are issued.

The fair value of the subscription rights was estimated by us with the assistance of an independent valuation firm based on data provided by us. The valuation report provided by us with guidelines in determining the fair value, but the determination was made by us. We applied the Black-Scholes Option Pricing Model to calculate the fair value of the subscription rights on the valuation date.

The major assumptions used in calculating the fair value of the subscription rights includes:

	March 5, 2014	March 31, 2014
Spot price[1]	3.31 - 4.65	3.30 - 4.65
Risk-free interest rate[2]	0.04%	0.05%
Volatility rate[3]	38.12%	42.39%
Dividend yield[4]	—	—

(1) Spot price—based on the fair value of 100 percent equity interest of Xunlei Limited which is allocated to our preferred shares and common shares as at the valuation date under different scenarios. The probability of the occurrence of an initial public offering is assumed to be 80%, the probability of the occurrence of a liquidation event is assumed to be 10% and the probability of the occurrence of a redemption event is assumed to be 10%

(2) Risk-free interest rate—based on the US Treasury Bond & Notes BFV curve from Bloomberg as at the valuation date.

(3) Volatility—based on the average historical volatility of the comparable companies from Bloomberg as at the valuation date.

(4) We has no history or expectation of paying dividends on its common shares.

Repurchase of common and preferred shares

On April 15, 2014, we repurchased from Skyline 469,225 common shares, 27,180 series A preferred shares, 591,451 series A-1 preferred shares, 725,237 series B preferred shares and 3,808,943 series D convertible redeemable preferred shares at a consideration of approximately US$24.3 million. For the common shares repurchased, we charged the excess of the purchased price over the par value to additional paid in capital. For the preferred shares, we charged the excess of the purchase price over the carrying value to retain earnings or to additional paid in capital if retain earnings is zero.

On April 24, 2014, we repurchased from a number of our existing shareholders the following common and preferred shares for a total consideration of US$49.8 million. We repurchased the following common and preferred shares at a per share price of US$2.82, equal to the issuance price of the series E preferred shares:

- 10,334,679 common shares from Vantage Point Global Limited for US$29.1 million;
- 3,860,733 common shares from Aiden & Jasmine Limited for US$10.9 million;
- 450,000 Series A preferred shares from Bright Access International Limited for US$1.3 million;
- 2,921,868 series B preferred shares from Fidelity Asia Ventures Fund L.P. for US$8.2 million;
- 108,960 series B preferred shares from Fidelity Asia Principals Fund L.P. for US$0.3 million.

For the common shares repurchased, we charged the excess of the purchased price over the par value to additional paid in capital. For the preferred shares, we charged the excess of the purchase price over the carrying value to retain earnings or to additional paid in capital if retain earnings is zero. We determined the per share fair value of the common shares, series A preferred shares, and series B preferred shares to be US$3.13, US$3.13, and US$3.19, respectively, on the date of repurchase. The repurchase price of US$2.82 was mutually negotiated at the time of the repurchase transactions. There were no other arrangements with the selling shareholders other than the exchange of Xiaomi Option for the Transfer

Restrictions. The selling shareholders were willing to sell its common and preferred shares at the US$2.82 per share price as it would provide them with as a form of liquidity.

Amortization of capitalized copyrights related to content

Licensed copyrights of movies, TV series and variety shows, or Content Copyrights, are capitalized when (1) the cost of the content is known (2) the content has been accepted by us in accordance with the conditions of the license agreement and (3) the content is available for its first showing on our website. Content Copyrights are carried at cost less accumulated amortization and impairment loss, if any.

We have two types of Content Copyrights, 1) non-exclusive Content Copyrights and 2) exclusive Content Copyrights. With non-exclusive Content Copyrights, we have the right to broadcast the content on our own websites. While, with exclusive Content Copyrights, besides the broadcasting right, we also have the right to sub-license these exclusive Content Copyrights to third parties.

For non-exclusive Content Copyrights which only generates primarily indirect cash flows, the amortization method is based on the analysis of historical viewership consumption patterns. We determine consumption patterns the number of viewers who watch the content throughout the estimated useful life of the content. The information is then aggregated to come up with a viewership trend that can support an appropriate method to amortize non-exclusive Content Copyrights. We generally categorize our content in the Xunlei Kankan website into three broad categories, namely movies; TV series; and variety shows and others, which include reality shows, talent shows, talk shows and entertainment news. Prior to April 1, 2011, we concluded that there was insufficient data to support a historical viewership demonstrative pattern in viewership of our licensed copyrights related to content. Therefore, we have determined that a straight-line basis of amortization over the shorter of the estimated useful lives of the related Content Copyright provides the right level of expenses attribution. Effective April 1, 2011, based on an accumulation of data gathered on historical viewing patterns of our non-exclusive Content Copyrights, we revised the method to amortize non-exclusive Content Copyrights over their respective licensing periods using at an accelerated rate. Estimates of the consumption patterns for these non-exclusive Content Copyrights are reviewed periodically and revised, if necessary.

Exclusive Content Copyrights generate both direct and indirect cash flows. For the portion of exclusive Content Copyright that generates indirect cash flows, prior to April 1, 2011, these contents were amortized on a straight-line method based on the discussion above. Effective from April 1, 2011, we use the amortization method based on the analysis of historical viewership consumption patterns, which is the same with that of non-exclusive Content Copyright as discussed above.

This change in accounting estimate for non-exclusive Content Copyrights and exclusive Content Copyrights that generates indirect cash flows decreased net income and basic net income per share by US$1.4 million and US$0.02, respectively, for the year ended December 31, 2011.

For the portion of exclusive Content Copyrights that generates direct cash flows, we amortize the purchase costs using an individual-film-forecast-computation method, which amortizes such costs based on the ratio of sub-licensing revenue and barter transaction gain (details described in Note 2(o) to our audited consolidated financial statements for the years ended December 31,

2011, 2012 and 2013) generated for the current period to the total ultimate direct revenues estimated to be generated by the exclusive Content Copyrights for their whole license period or estimated useful lives. We revisit the forecast at each quarter or year end and make adjustment, when appropriate.

Impairment of long-lived assets

We evaluate the program usefulness of licensed copyrights pursuant to the guidance in ASC 920-350 Intangibles—Goodwill and Other: Recognition, which provides that such rights be reported at the lower of unamortized cost or estimated net realizable value.

For non-exclusive Content Copyrights which only generate indirect cash flows, we evaluate the net realizable value of our licensed copyrights by three content categories (i.e. movies, TV series, variety shows and others), which are assessed to be the lowest level of precision for the purpose of performing such assessment. If our expectations of programming usefulness, which represents the expected revenues and related net cash flows derived from the content, are revised downward, we then assess whether it is necessary to write down the unamortized cost to the estimated net realizable value. We evaluate programming usefulness by category on an annual basis by comparing the unamortized cost to our estimated net realizable value. On a quarterly basis, we also monitors whether there are indicators of changes in our expected usage of program materials.

We estimate net realizable value using expected net cash flows based on expected future levels of advertising revenues. Such estimates consider historical amounts and anticipated levels of demand. Expected future revenues are reduced by estimated direct costs to provide access to the website and generate the related revenues, including bandwidth costs and server costs. For purposes of estimating revenues for each category of the content, we consider both expected future advertising revenues sold based on number of impressions delivered as well as advertising sold based on the period of time that it is displayed.

For advertising sold which the price is based on number of impressions delivered, expected revenues are estimated based on the number of historical impressions and management's expectation of the level of impressions and expected pricing in the future periods. For advertising sold which the price is based on the period of time that it is displayed, expected revenues are estimated based on management's expectation of the level of video views and expected pricing in future periods. Expected revenues for advertising sold which the price is based on a period of time are attributed to the entire content library based on the relative volume of video views anticipated, as well as management's expectations in future periods.

We estimate expected future advertising revenues given we have a steadily increasing base of advertisers historically. We enter into annual framework agreements with major advertisers at the beginning of each year which provide us with an indication of their expected spending in the coming year. Based on actual business volume achieved in the past and the indicative spending for the coming year, we are able to estimate with reasonable reliability our future advertising revenues expected to be generated from these customers. We also consider the efforts and results of our sales team's on-going communication and discussion made with potential new advertisers, current market and industry conditions and the level of user traffic achieved on the website in estimating future advertising revenues. We estimate our anticipated content video views based on historical video views statistics achieved and the expected impact of any promotional campaigns and marketing efforts that we plan to undertake in increasing

the popularity of content on our web site. Video view is measured based on the number of times a particular program is viewed by users.

We estimate our anticipated volumes of time based display advertising based on historical page views generated within our website, and the impact of the expected growth of the overall traffic of the website. We believe that our methodology for estimating expected revenues for purposes of determining net realizable value allows us to predict cash flows with reasonable reliability.

For exclusive Content Copyrights that generate both direct and indirect cash flows, we evaluate the net realizable value of our licensed copyright on a content by content basis. Impairment is assessed on an annual basis by comparing the unamortized cost to our estimated net realizable value. We estimate the net realizable value using expected net cash flows based on expected future levels of advertising and content sub-licensing revenues. We estimated content sub-licensing revenue based on management's expectation of the popularity of the content and we use pricing reference from other similar sub-licensing arrangements. For expected future levels of advertising revenue, we use the same estimation methodology used for the impairment assessment of non-exclusive Content Copyrights.

For both exclusive and non-exclusive Content Copyrights, there were no impairments for the years ended December 31, 2011, 2012, 2013 and three months ended March 31, 2014 because a significant portion of the content was related to movies and TV series, of which approximately 70% to 90% of the purchase costs of the Content Copyrights had been amortized during the first year of the licensed period. As such, the unamortized carrying amounts were lower than the respective net realizable values when the impairment assessment was performed.

For other long-lived assets, we evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. We assess the recoverability of the long-lived assets by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows we expect to receive from the use of the assets and their eventual disposition at the lowest level of identifiable cash flows. Such assets are considered to be impaired if the sum of the expected undiscounted cash flows is less than the carrying amount of the assets. If we identify an impairment, the carrying value of the asset will be reduced to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values.

In 2013, indicator of possible impairment was triggered by the significant decline in the revenues generated by one online game. In the fourth quarter of 2013, this online game only generated US$27,000 as compared to US$303,000 generated in the third quarter of 2013, which was significantly lower than our expectation. The impairment test was performed using a discounted cash flow analysis that requires certain assumptions and estimates regarding economic and future profitability.

Consolidation

The consolidated financial statements include the financial statements of Xunlei Limited, our subsidiaries and our VIEs for which Xunlei Limited is the primary beneficiary. All significant transactions and balances among our subsidiaries, our VIE and us have been eliminated upon consolidation.

A subsidiary is an entity in which we, directly or indirectly, control more than one-half of the voting power, has the power to appoint or remove the majority of the members of the board of directors to cast a majority of the votes at meetings of the board of directors or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

An entity is considered to be a VIE if the entity's equity holders do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

We consolidate entities for which we are the primary beneficiary if the entity's equity holders do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

In determining whether Xunlei Limited or its subsidiary is the primary beneficiary of a VIE, we considered whether we have the power to direct activities that are significant to the VIE's economic performance, including the power to appoint senior management, right to direct company strategy, power to approve capital expenditure budgets, and power to establish and manage ordinary business operation procedures and internal regulations and systems.

Management has evaluated the contractual arrangements among Giganology Shenzhen, Shenzhen Xunlei and its shareholders and concluded that Giganology Shenzhen receives all of the economic benefits and absorbs all of the expected losses from Shenzhen Xunlei and has the power to direct the aforementioned activities that are significant to Shenzhen Xunlei's economic performance, and is the primary beneficiary of Shenzhen Xunlei. Therefore, Shenzhen Xunlei and its subsidiaries' results of operation, assets and liabilities have been included in our consolidated financial statements. We monitor the regulatory risk associated with these contractual arrangements. The details of how we manage the regulatory risk are described in "Certain risk and concentration" in note 24 to our audited consolidated financial statements for the years ended December 31, 2011, 2012 and 2013.

Accounts receivable, net

Accounts receivable are presented net of allowance for doubtful accounts. We evaluate the creditworthiness of each customer at the time when services are rendered and continuously monitor the recoverability of the accounts receivable. We use specific identification method in providing for bad debts when facts and circumstances indicate that collection is doubtful and a loss is probable and estimable. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The allowance for doubtful accounts is based on the best facts available and are re-evaluated and adjusted on a regular basis as additional information is received.

Some of the factors that we consider in determining whether we record a bad debt allowance on an individual customer are:

- the customer's past payment history and whether it fails to comply with its payment schedule;
- whether the customer is in financial difficulty due to economic or legal factors;

- a significant dispute with the customer has occurred;
- other objective evidence which indicates non-collectability of the accounts receivable.

If we determine that an allowance is needed for a customer, we will discontinue business with them unless they start to resume payment. The accounts receivable is written-off when we cease pursuing collection. Any changes in our estimates may cause our operating results to fluctuate. The accounts receivable that was fully reserved as of December 31, 2012, 2013 and March 31, 2014 was US$5.1 million, US$10.9 million and US$11.0 million, respectively.

The allowances provided for accounts receivable as of December 31, 2012, 2013 and March 31, 2014 were US$7.9 million, US$12.1 million and US$12.1 million, respectively.

As of March 31, 2014, we had accounts receivable net of allowances aged beyond one year from the date of invoice in the amount of US$5,326,000. Based on our assessment of the customer's ability to pay, a bad debt allowance was not considered necessary for those amounts. As of the date of this prospectus, a majority of those balances have been collected and we continue to actively pursue collection of the remaining balance.

Although our general credit term for our customers is 90 days, we do not consider our receivables aged less than one year from the invoice date to be past due given the general practices we have with our customers in the advertising industry. Typically we are willing to accept delayed repayment up to one year from invoice date if we have assurance that payment will be made as soon as practicable. Accordingly, we did not make significant provisions for balances aged less than one year as of December 31, 2012, 2013 and March 31, 2014.

Taxation and uncertain tax positions

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the difference is expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the carrying amount of deferred tax assets if it is considered more likely than not that some portion, or all, of the deferred tax assets will not be realized.

On January 1, 2008, we adopted the guidance regarding uncertain tax positions. Management evaluates our open tax positions that exist in each jurisdiction for each reporting period. If an uncertain tax position is taken or expected to be taken in a tax return, the tax benefit from that uncertain position is recognized in our consolidated financial statements if it is more likely than not that the position is sustainable upon examination by the relevant taxing authority.

We did not have any significant uncertain tax position and there was no effect on our financial position or results of operations as a result of implementing the new guidance. We recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense, if any. No interest and penalties were recorded in the years ended December 31, 2011, 2012 and 2013, and the three months ended March 31, 2014.

Commitments and contingencies

In the normal course of business, we are subject to contingencies, such as legal proceedings and claims arising out of our business, that cover a wide range of matters. Liabilities for such contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. In regards to legal cost, we recorded such costs as incurred.

Certain conditions may exist as of the date of this prospectus, which may result in a loss to us and such loss will only be resolved when one or more future events occur or fail to occur. Our management and legal counsel assess such contingent liabilities, and such assessment inherently involve an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims that may result in such proceedings, we will consult with our legal counsel and evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in our financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

Recent accounting pronouncements

In July 2012, the Financial Accounting Standards Board, or FASB, issued revised guidance on Testing Indefinite-Lived Intangible Assets for Impairment. The revised guidance applies to all entities, both public and nonpublic, that have indefinite-lived intangible assets, other than goodwill, reported in their financial statements. Under the revised guidance, an entity has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform a quantitative impairment test by comparing the fair value with the carrying amount in accordance with Subtopic 350-30. An entity also has the option to bypass a qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period. In conducting a qualitative assessment, an entity should consider the extent to which relevant events and circumstances, both individually and in the aggregate, could have affected the significant inputs used to determine the fair value of the indefinite-lived intangible asset since the last assessment. An entity also should consider whether there have been changes to the carrying amount of the indefinite-lived intangible asset when evaluating whether it is more likely than not that the indefinite-lived intangible asset is impaired. An entity should consider positive and mitigating events and circumstances that could affect its determination of whether it is more likely than not that the indefinite-lived intangible asset is impaired. The amendments are effective for annual and

interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of this guidance did not have an impact on our financial statements.

In February 2013, the FASB issued revised guidance on "Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The revised guidance does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the revised guidance requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The revised guidance is effective prospectively for reporting periods beginning after December 15, 2012 for public entities. The adoption of this guidance did not have an impact on our financial statements.

In March 2013, the FASB issued accounting guidance related to a parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity (ASC 830 Foreign Currency Matters). This guidance requires that the cumulative translation adjustment associated with a qualifying derecognized subsidiary or group of assets be immediately recognized within the income statement by the parent company. The adoption of this guidance did not have an impact on our financial statements.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists", which is an update to provide guidance on the financial statements presentation of an unrecognized tax benefit when a net operating loss carryforward exists. The guidance requires an entity to present an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, except for when a net operating loss carryforward is not available as of the reporting date to settle taxes that would result from the disallowance of the tax position or when the entity does not intend to use the deferred tax asset for purposes of reducing the net operating loss carryforward. The adoption of this guidance did not have an impact on our financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". The guidance substantially converges final standards on revenue recognition between the FASB and the International Accounting Standards Board providing a framework on addressing revenue recognition issues and, upon its effective date, replaces almost all exiting revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles. The guidance is effective for annual reporting periods beginning after December 15, 2016. We are currently evaluating the impact of adopting ASU 2014-09 to determine the impact, if any, it may have on our financial statements.

Industry

Internet growth in China

The proliferation of internet usage in China in recent years has made China the largest internet market in the world. According to China Internet Network Information Center, or CNNIC, the number of internet users in China had reached 618 million as of December 31, 2013. Important drivers contributing to the rapid growth of China's internet market include the continuing development of network infrastructure, increasing affordability of internet access, and China's relatively limited traditional media outlet that makes internet the preferred channel for information and entertainment. China had a broadband penetration rate of 88.8% among internet users as of December 31, 2012, according to iResearch.

With the increasing internet penetration in China, the industry has witnessed the rise of several leading internet platforms with large user base. According to iResearch, there are only 12 internet platforms in China with over 300 million monthly unique visitors, based on the data for the month ended March 31, 2014, including Xunlei.

Proliferation of digital media in China

As internet penetration continues to increase in China and throughout the world, digital media has proliferated, resulting in enormous amount of digital media content flow through the internet.

Online video

Online video usage in China has grown significantly in recent years after an initial lag caused by bandwidth limitations and software and hardware compatibility problems. According to Analysys International, the number of online video services users in China is expected to grow from 390 million in 2011 to 875 million in 2016, representing a CAGR of 17.6%.

An important driver for online video market growth in China is the highly fragmented nature of content production, which leads to a lack of efficient content distribution channels. According to CNNIC, more than 50% of internet users access traditional TV episodes on the internet in 2012.

According to iResearch, the size of China's online video market, as measured by revenues, is expected to grow from RMB6.3 billion in 2011 to RMB29.8 billion in 2016, representing a CAGR of 36.6%. The following table sets forth the historical and projected size of China's online video market and the respective year-over-year growth rate for the years indicated:

	2011	2012	2013E	2014E	2015E	2016E
China's online video market (RMB in billions)	6.3	9.0	12.8	17.8	23.5	29.8
Year-over-year growth rate	—	43.9%	41.9%	38.7%	32.4%	26.8%

Source: iResearch

Online games

Online games are one of the most popular online activities in China. The number of online game players in China has grown rapidly in recent years. According to CNNIC, China online game user has reached 345 million, and the penetration rate of online games among internet users in China reached 58.5% as of June 30, 2013.

The most popular form of online games in China is massive multiplayer online role playing games, or MMOGs, which typically require users to download large client end software before they can play, since typical sizes for MMOGs range from 700 megabytes to 800 megabytes. CNNIC further indicates that more than 50% of the internet games switch to new games in less than one year time. As the number of online gaming users, the number of new games launched, and the size of game files continue to increase, the bandwidth requirements and internet traffic incurred by online games have grown significantly.

The online gaming industry in China has three major segments, namely, client-based games, webgames and mobile games segments. According to iResearch, the size of China's online gaming market, as measured by revenues, is expected to grow from RMB53.4 billion in 2011 to RMB183.7 billion in 2016, representing a CAGR of 27.8%. The following table sets forth the historical and projected size of China's online gaming market and the respective year-over-year growth rate for the years indicated:

	2011	2012	2013	2014E	2015E	2016E
China's online gaming market (RMB in billions)	53.4	67.1	89.2	115.0	146.8	183.7
Year-over-year growth rate	—	24.6%	32.9%	28.9%	27.7%	25.1%

Source: iResearch

Growth of OTT TV market in China

In addition to PC and mobile, TV is also emerging as a new outlet for internet consumption. According to Analysys International, the installed base of OTT (over-the-top) TVs in China, including smart TVs and TVs with smart set-top boxes connections, was 17.0 million as of December 31, 2012, and is expected to increase to 208.0 million as of December 31, 2016, representing a CAGR of 87.0%. The following table sets forth the historical and projected installed base of OTT TVs in China and the respective year-over-year growth rate as of December 31 for the years indicated:

As of December 31,	2012	2013	2014E	2015E	2016E
China's installed base of OTT TVs (million units)	17.0	49.7	100.5	156.7	208.0
Year-over-year growth rate	—	192.1%	102.3%	56.0%	32.8%

Source: Analysys International

The growth of OTT TVs is driven by the increasing penetration of Android smart system in the set-top box and smart TV. The Android enabled set-top box and smart TV offer users rich applications and content as well as highly interactive operation that differentiate from traditional cable TV. Furthermore, it also for the first time makes the convergence of various smart devices possible, where a user can gain unified internet experience on TV, mobile phone and PC.

According to a survey conducted by CNNIC in November 2012, 11.4% of the internet users in China had accessed to internet via OTT TV, among which 72.7% watched video as opposed to 37.3% for news and less than 20% for all the other content.

Key challenges for digital media distribution

Although the internet has become the mainstream channel for accessing digital media content including online videos, online games and others, challenges for data transmission still exist:

- *Growing size of digital media content.* Given the proliferation of data-intensive digital media content, such as high-definition videos and highly interactive and graphic-rich games, the size of digital media files continues to grow to provide better user experience. The growing size of digital media content continues to generate significant demand and opportunities for accelerated data transmission.

- *Increasing consumption of digital media content.* Digital media consumption, including online videos, online games and others, is growing rapidly in China. Increasing consumption of digital media content, especially such data-intensive content, may cause latency and other network performance issues.

- *Network congestion.* The internet consists of many interconnected networks, or subnets. Without adequate interconnection between these networks, data transmissions between subnets can be considerably slower and less reliable than transmissions within subnets. In China, most of the internet traffic goes through the networks of three carriers, China Telecom, China Unicom and China Mobile, which form the internet backbone of the country. However, major subnets are operated by different carriers in each province with limited interconnectivity between each other of the three carriers, which causes network congestion despite improving last mile access enabled by increasing bandwidth. As a result, internet users in China constantly seek advanced technologies to enhance the accessibility of internet content.

Key opportunities and trends

There emerge immense opportunities for more advanced digital media content access and management technologies:

- *Advanced architecture to enable faster, more reliable and more efficient data transmission.* Due to the speed and reliability issues present in the traditional client server model, a more advanced technology solution that better optimizes the data transmission performance, with effective cost structure, will drive the future growth of the digital media content consumption.

- *Integrated cloud technology platform.* Given the increase in the average size of digital media content files and the fundamental issues with China's internet network infrastructure that are unlikely to be resolved in the short term, consumer-centric cloud computing services such as server-side data transmission, streaming and storage, will become increasingly important. As users currently need to visit different websites and access different applications to perform searching, streaming, transmission and storage an integrated cloud-based service platform could significantly enhance user experience for accessing and managing digital media content.

- *Device-agnostic content delivery.* With the proliferation of diverse internet-enabled devices including PC, smartphone, tablet and OTT TV, seamless cross device content delivery has become critical to user experience. Content providers that enables maximized compatibility with different devices will attract more users by providing mobility and variability in accessing and consuming digital media content.

Business

Overview

We are one of the top 10 largest Chinese internet companies, as measured by user base. According to iResearch, we had an average of approximately 300 million monthly unique visitors for the three months ended on March 31, 2014. Digital media content, such as video, music and games, is one of the most popular usages for internet users in China. We operate a powerful internet platform in China based on cloud computing to enable users to quickly access, manage, and consume digital media content. We are increasingly extending to mobile devices in part through potentially pre-installed acceleration products in mobile phones and to living rooms through TV coverage (set-top boxes and IPTV) to further expand our user base and offer our users a wider range of access points. We aspire to deliver superior user experience in ease of access, management and consumption of digital media content anywhere, anytime, and on any device.

We are the No. 1 acceleration product provider in China as measured by market share in March 2014, according to iResearch. To address deficiencies of digital media transmission over the internet in China, such as low speed and high delivery failure rates, we provide users with quick and easy access to online digital media content through two core products and services:

- Xunlei Accelerator, which enables users to accelerate digital transmission over the internet, is our most popular and free product, with approximately 142 million monthly active users and approximately 204 million monthly unique visitors in March 2014, according to the iResearch Report. Xunlei Accelerator enjoys a market share of 84.1% based on the number of launches among all transmission and acceleration products in China in March 2014, according to iResearch; and

- Our cloud acceleration subscription services, delivered through products such as Green Channel, Offline Accelerator and Yunbo, offer users premium services for speed and reliability, with approximately 5.2 million subscribers as of March 31, 2014, up from approximately 1.1 million as of January 31, 2011.

Benefitting from the large user base for our core product, Xunlei Accelerator, we have further developed various value-added services to meet a fuller spectrum of our users' digital media content access and consumption needs including:

- Xunlei Kankan, the 6th largest online video streaming platform in China, with monthly unique visitors of approximately 136.0 million in March 2014, according to iResearch. Users can watch what they want for free from our comprehensive content library;

- Pay per view services, launched in the second half of 2012 and serving approximately 155,000 subscribers as of March 31, 2014, providing them with access to our premium content library of over 800 movies, primarily new releases. As of March 31, 2014, about 58% of our pay per view subscribers are also subscribers for our premium acceleration services, presenting opportunities for further cross-selling; and

- Online game services, including web games and MMOGs, offered on our gaming platform.

We are increasingly extending our services to living room based internet devices and mobile devices, as part of our cloud-based home and mobile strategies. Starting in 2013, we began to pre-install our acceleration products in set-top boxes distributed by third-party hardware

providers. As of March 31, 2014, we had accumulated an installed base of approximately 1,552,000 set-top boxes across China. We believe our living room strategy combined with our success on PC internet will provide a seamless user experience to access digital media content from any device. We also target to make our mobile applications as the central user interface for accessing and managing digital media content in a synchronized manner. Since 2012, we have entered into pre-installment service agreements with several mobile phone manufacturers, including a Xiaomi group company, pursuant to which we agree to provide our Xunlei mobile acceleration applications, and the mobile phone manufacturers agree to install such applications on their phones, free of charge. Xiaomi is a well-recognized smart phone brand in China and once such pre-installment arrangements are implemented, Xiaomi phone users will have access to our acceleration services, which could enhance our ability to generate more user traffic. These strategies and our compelling value proposition will provide us with the foundation to further grow our user base and allow our customers to access and enjoy digital media content regardless of device or location.

The technological backbone of our products and services is our cloud acceleration technology, comprised of a proprietary file locating system and massive file index database. Our technology enables us to support greater user expansion with incremental increases in server and bandwidth costs. This technology, based on distributed computing architecture, along with our indexing technology, enables users to access content in an efficient manner.

We have successfully monetized our large user base. We generate revenues primarily through the following services:

- Cloud acceleration subscription services. We provide premium acceleration services for subscribers to enable faster and more reliable access to digital media content;
- Online advertising services. We offer advertising services by providing marketing opportunities on our online video streaming websites and platform to our advertisers; and
- Other internet value-added services. We offer multiple other value-added services to our users, including online games and pay per view services.

We have grown significantly in recent years. Our revenues increased from US$87.5 million in 2011 to US$148.2 million in 2012 and US$180.2 million in 2013. We had net loss attributable to Xunlei Limited of US$0.01 million in 2011 and net income attributable to Xunlei Limited of US$0.5 million in 2012 and US$10.7 million in 2013, respectively. Our revenues were US$41.3 million and US$41.2 million for the three months ended March 31, 2013 and 2014, respectively. We had net income attributable to Xunlei Limited of US$3.9 million for the three months ended March 31, 2013 and US$0.4 million for the same period in 2014.

Our strengths

We believe we offer the best integrated platform for efficient access, management and consumption of digital media content in China. We believe the following key strengths contribute to our success and differentiate us from our competitors:

Leading consumer internet platform in China

We are one of the top 10 largest Chinese internet companies, as measured by user base. According to iResearch, our platform, enabled by cloud-computing and data analytics, had an average of approximately 300 million monthly unique visitors for the three months ended on

March 31, 2014. We effectively provide cloud acceleration products and services to users on a range of internet-enabled devices, including PC, television and mobile devices, to enable faster, more reliable and more efficient transmission and management of digital media content.

We believe that digital media content is important to most Chinese internet users, and through our proprietary technology, internet-connected devices and our broad ecosystem, our users can transmit in a speedy manner and access digital media content at work, at home or while in transit, virtually anywhere, any time.

Large and loyal user base with a growing number of subscribers

We had an aggregate of approximately 300 million monthly unique visitors on our platform for the three months ended on March 31, 2014, according to iResearch. Our large and growing user base serves as the basis for the future continued growth of our subscriber base. We launched our cloud acceleration subscription services in March 2009, which have experienced substantial growth. The total number of our subscribers reached approximately 5.2 million as of March 31, 2014 from 2.8 million as of December 31, 2011. The subscribers are divided into seven VIP levels, and the VIP level of a subscriber increases over time based on daily awards of "value points" as long as such subscriber continues with the subscription. The number of our subscribers ranked VIP level three and above as a percentage of our total subscribers increased from 25.9% as of January 31, 2011 to 68.8% as of March 31, 2014, reflecting subscriber loyalty for our services.

Highly scalable and cost-efficient distributed computing network

Our proprietary technology and highly scalable massive distributed computing network are our core competitive advantage, enabling us to provide popular transmission and streaming acceleration services and superior user experience. Our resource discovery network leverages our distributed computing power and significantly reduces our reliance on servers operated by us. This in turn provides us with a clear cost advantage over our competitors. We have achieved powerful network effects that we believe are difficult to replicate and create high entry barriers for potential competitors. We have created, and continue to maintain, a massive, proprietary and real-time updated index of more than 6.3 billion digital media content files and their locations across the internet as of March 31, 2014. Based on a distributed computing network architecture, we operate a vast distributed file locating system supported by over one million third-party servers and over 8,000 servers we owned as of March 31, 2014. As our user base grows, we are able to expand our distributed computing resources and broaden our indexes of digital media content files to further improve acceleration and streaming performance across our network and enhance our user experience, which in turn attracts more users. This positive cycle has enabled us to maintain our leading market position and increase our market share.

Proven monetization track record

We derive revenues from multiple sources, including cloud acceleration subscription services, online advertising and other internet value-added services. Multiple revenue streams provide us with both revenue diversification and multiple growth areas.

Our large and loyal user base and growing subscriber base present a solid foundation for our different revenue streams. The total number of our subscribers has continued to grow, reaching approximately 5.2 million as of March 31, 2014, presenting significant growth potential for our subscriber base. Revenues generated by our cloud acceleration subscription services experienced

significant growth since the launch of these services in March 2009, increasing from US$25.6 million in 2011 to US$86.7 million in 2013 and from US$18.8 million in the three months ended March 31, 2013 to US$24.8 million in the same period in 2014. Our subscription-based business model helps generate recurring revenues. In addition, we are able to introduce new services to make our services more attractive and continue to raise the number of paying users and subscribers without incurring significant additional costs. We provide online advertising services primarily through Xunlei Kankan. We serve a broad range of brand advertisers consisting of international and domestic companies in a variety of industries, and had 399 and 103 advertisers in 2013 and in the three months ended March 31, 2014, respectively. Our advertising revenues for 2011, 2012, 2013 and for the three months ended March 31, 2014 were approximately US$38.3 million, US$61.8 million, US$48.0 million and US$7.5 million, respectively. In terms of other internet value-added services, we had US$30.7 million in online games revenues and US$2.0 million pay per view revenues in 2013 and US$6.2 million and US$0.6 million, respectively, for the three months ended March 31, 2014.

Culture of innovation and experienced management team

Our company is a technology company at its core, and we believe our focus on best-in-class technology and innovation is an integral part of our culture and success. Our management team has a strong background in engineering and technology. In particular, our chief executive officer and co-founder, Mr. Sean Shenglong Zou, is recognized as a pioneer in network architecture and cloud computing technologies in China. We believe our focus on technology development and our technology-driven culture of innovation are key to drive our growth and continued market leadership position.

Our strategies

Our mission is to become the leading technology company for internet users in China to access, manage and consume digital media content through internet-enabled devices. We intend to achieve this mission by pursuing the following strategies:

Continue to grow our user base and improve user engagement and retention through user experience enhancement

We intend to further grow our user base by enhancing our user experience through making our services device agnostic and synchronizing digital media content. We intend to continue to empower our users to access our services through multiple internet-enabled devices, such as tablets, smartphones, set-top boxes and internet televisions, while striving for a consistent, high-quality user experience across applications that run on different operating systems. For example, we have launched a version of Xunlei Kankan HD dedicated to iPad users that offers high-quality, fast video streaming services.

We also intend to increase user engagement and stickiness through enhancing user experience. For example, we began to focus more on user behaviors and study users' life cycles on our platform so that we can offer the relevant services at the right time and encourage users to continue using our services. This has helped us improve customer care and user loyalty. We continue to identify, research and develop, through big data analytics of user behavior and user account information, potential new services that would appeal to our users to further serve their individual needs and enhance their experience.

Further monetize our large user base

We intend to further monetize our user base and incentivize users to become subscribers by expanding our offerings of fee-based services such as cloud-based storage and implementation of cross device media access. Thus, we provide one-stop services for our users, not only in terms of accessing digital media content but also the storage and synchronization of content across devices. Through these initiatives, we expect to improve the percentage of our users to paying users and subscribers.

Endeavor to provide seamless cross device user access

We intend to continue to extend our services from internet-enabled PCs to televisions and mobile devices, to serve our users seamlessly in every aspect of their lives from offices to living rooms. As the use of mobile internet continues to spread, we intend to capture mobile users' needs and develop applications that run on various mobile operating systems. We target to develop mobile devices as a primary user interface for our services in the future.

In addition, we intend to focus on mobile devices and home entertainment by leveraging our existing technology and collaborating with hardware manufacturers such as set-top boxes manufacturers, among others. For example, we established cooperation relationship with Xiaomi in August 2013, pursuant to which our Xunlei Accelerator was pre-installed onto some of Xiaomi's set-top boxes at no charge, similar to the other set-top boxes manufacturers we work with. As of March 31, 2014, we had accumulated an installed base of approximately 1,552,000 set-top boxes across China. Our strategic cooperation with Xiaomi has been further strengthened with Xiaomi Ventures' investment in us in March 2014.

Strengthen relationships with strategic partners to further build our ecosystem

We intend to deepen relationships with our current digital media content providers as well as develop relationships with new digital media content providers, including video content copyright owners or distributors, software and game developers, application developers and other internet content publishers, through strategic collaboration.

In addition, we intend to develop extensive relationships with client-end product/service providers, such as set-top boxes and similar home entertainment devices, that need our accelerator technological support. We intend to build strategic relationship and embed Xunlei Accelerator in these hardware devices as a fundamental utility for the whole internet ecosystem.

Continue to focus on research and development and maintain our technological leadership

Technological leadership is critical to our long-term success and we intend to continue to devote substantial resources to our research and development efforts to further improve the performance of our services, expand our product portfolio and enhance our user experience. Our research and development will focus on further improving our proprietary indexing technology, distributed file locating system, and overall cloud acceleration technology, while continuing to develop innovative technologies such as file-locating technology, distributed cloud storage, seamless video format conversion across multiple internet-enabled devices.

Selectively pursue business expansion via partnerships and acquisitions

We intend to pursue business expansion via partnerships and acquisitions that are strategically complementary and that can add long-term value to our shareholders. We believe selective strategic partnerships and acquisitions may benefit us by enriching our service offerings, enlarging our user base, enhancing our user experience or allowing us to acquire complementary technologies.

Our platform

On our platform, users can accelerate digital media transmission, stream and watch high-definition videos and play a broad range of the latest online games, among other things.

Cloud accelerator

Accelerator

We launched our core product, Xunlei Accelerator, in 2004 to address deficiencies of digital media content transmission over internet in China, such as low speed and high delivery failure rates. We believe that our integrated services and strong technological base have helped cultivate optimized user experience and enhanced user loyalty.

Xunlei Accelerator allows users to accelerate digital transmission over the internet for free. Xunlei Accelerator also bridges users with diverse needs to other services we offer, such as our Xunlei Kankan website, which provides high-definition online video, Xunlei Media Player, which supports both online and offline video watching, and our various online games including web games and MMOGs, by recommending and providing links to these services on its user interface.

Xunlei Accelerator, now in Version VII, is designed to provide an effective digital media content transmission solution to our users. In addition to our featured transmission acceleration function, we have integrated certain features into the interface of Xunlei Accelerator to enhance the overall user experience while helping users transmit their desired content efficiently. For example, Xunlei Accelerator provides a platform to integrate other third-party plug-in applications. Users can add application tabs to create shortcuts to various services that are provided by us, third-party application developers and application venders who have business relationships with us. Xunlei Accelerator also has a task management console to allow users to track and manage their transmissions in progress, to manage and prioritize cloud-based data transmission tasks, or manage and synchronize transmitted content across multiple internet-enabled devices.

Subscription services

We charge monthly or annual fee for our premium cloud acceleration subscription services and other exclusive services at different VIP levels. The VIP level of a subscriber increases over time based on daily awards of "value points," as long as such subscriber continues the subscription. Meanwhile, the corresponding benefits and services within the subscription package, which typically include incrementally larger bandwidth and faster acceleration speed, are upgraded according to the VIP level. The longer a subscriber uses our services, the higher the VIP level he or she gets.

Our subscription mechanism encourages heightened user loyalty and helps generate a recurring and predictable revenue stream for us. As of March 31, 2014, we had approximately 5.2 million subscribers. Since we launched the subscription services, high-VIP-level subscribers accounted for an increasing portion of our growing subscriber base. For example, approximately 68.8% of our subscribers are ranked VIP level three and above as of March 31, 2014 as compared with approximately 25.9% as of January 31, 2011. In the meantime, subscribers with higher VIP levels generally conduct more daily transmissions than subscribers with lower VIP levels. In March 2014, the VIP six level subscribers transmitted 2.9 times more frequently than VIP one level subscribers. The subscription fees generally remain unchanged for subscribers at higher VIP levels.

Our cloud acceleration subscription services are delivered through the following major premium acceleration products:

Type of Service	Description of Services
Green Channel	This product allows our subscribers to transmit digital media files from the internet with the facilitation of our servers, which significantly improves speed and reliability of such transmission. This is particularly helpful when subscribers need to transmit files that are only available from slow or unreliable data transmission sources, or to transmit a group of files while having only limited internet connectivity time.
Offline Accelerator	This product allows our subscribers to engage us to transmit digital media files from the internet on their behalf. The transmitted files are temporarily cached on our servers, which the subscribers have easy access to and can consume and manage when they want within a limited period of time.
Yunbo	This product allows our subscribers to watch digital media content without transmitting the files to their own devices. The subscribers can enjoy the content without incurring burden to recourses on their devices.

We adopted different strategies and various promotion programs for each VIP level. For example, we discover that some of our users were not aware of the existence of our subscription services, so we provide users with greater exposure to our subscription services in different parts of our platform and promote products with significant potential interests to specific users. We use our powerful digital data analysis capabilities to explore different areas of user needs previously unmet by existing functions and research and develop relevant functions based on such analysis. We offer users promotional measures, such as providing 120 seconds of free trials of premium acceleration services, to show the differences in the data transmission speeds to demonstrate how our premium services tremendously enhance data delivery speed and overall subscriber experience.

Xunlei Kankan online video streaming website

We provide online video streaming services through our Xunlei Kankan website at www.kankan.com to enable our users to watch high-definition video in streaming form for free. Xunlei Kankan is the 6th largest video streaming portal in China, as measured by the 136.0 million monthly unique visitors in March 2014, according to iResearch.

The comprehensive content library of Xunlei Kankan consists primarily of licensed long-form videos, including movies, television series, variety shows and animations. The transmission of online video is supported by our distributed computing capacity, which reduces our infrastructure construction costs, such as bandwidth and server costs that are typically incurred by online video companies.

As of March 31, 2014, we held licenses to online videos consisting of approximately 2,000 movie titles, 760 television series covering approximately 27,000 episodes, and over 1,500 other types of shows. We differentiate Xunlei Kankan and the viewing experience it delivers by focusing on providing high-definition content. A significant portion of our videos are in high-definition format. We label each video on Xunlei Kankan based on their respective levels of resolution to ensure optimal viewing experience. We had established long-term relationships with more than 220 professional media data providers as of March 31, 2014, either directly or through third-party copyright distributors, including online video sites, news providers, online game companies and media companies.

Other than free videos, we also offer pay per view premium videos which charge users different amount of fees for every video they watch and access. Pay per view videos include movies newly released in the theaters and popular television shows. We provide pay per view services on subscription basis to encourage users to visit Xunlei Kankan's website more frequently. As of March 31, 2014, we had approximately 155,000 pay per view monthly subscribers on Xunlei Kankan and approximately 58% of these pay per view subscribers were also subscribers for Xunlei's acceleration services.

Xunlei Media Player

We launched Xunlei Media Player in 2008 as a supplementary tool to help deliver a more comprehensive viewing experience of digital media content to the users of both Xunlei Accelerator and Xunlei Kankan. Xunlei Media Player is our proprietary product that supports both online and offline play of digital media content as well as simultaneous play of digital media content while it is being transmitted by Xunlei Accelerator.

Online game services

To better serve our users, we offer online games through our online game website and purchase licenses from, or enter into revenue sharing arrangements with, game developers. Such game play platform helps raise the average spending of our subscribers. Online game players can play the games free of charge, but are offered the opportunity to purchase in-game virtual items for a fee to enhance their game-playing experience.

We also provide other ancillary services catering to users' needs and adjust our ancillary service offerings from time to time to supplement the major services we provide.

Technology

We provide accelerated data transmission services based on our distributed file locating system, designed to utilize our proprietary file indexing technology.

Indexing technology

Key elements of our file indexing technology include:

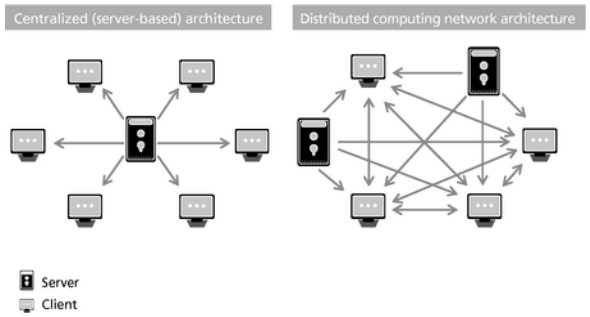
File indexing. We have created, and continue to maintain, a proprietary file index database that stores a massive index of unique file signatures representing all digital media content file that Xunlei Accelerator has found across the internet. Each file signature uniquely identifies the index of a given file. We store a list of each unique file's available data transmission locations from across the internet, which may include both peer and server computers, along with the estimated speed and reliability of each location.

Data mining. We also employ data mining algorithms, studying user habits in order to maximize the speed of our data delivery by ranking the keyword indexes that users search for and placing digital media content more likely to be searched by users in the more easily accessible locations in our network for optimal delivery speed. As of March 31, 2014, our file index contained over 6.3 billion digital media content files available on third-party servers and PCs connected to our distributed file locating system.

Distributed internet crawling techniques. Our network of Xunlei Accelerator acts as a system of distributed spiders to crawl the internet to search for digital media content files. Whenever the user initiates data transmission by using our Xunlei Accelerator, the URL of the data transmission location is uploaded to our server. We then use that URL to traverse and locate any other digital media content files that may also be available from the URL's internet page repositories. We then update our file index according to each traversal result.

Distributed file locating system

Our distributed file locating system is based on distributed computing architecture, which consists of all Xunlei Accelerator clients that are running and connected to the internet at a given time, along with the server addresses stored in our file index database. When users launch Xunlei Accelerator on a network-connected device, they are automatically connected to our distributed file locating system and contribute their bandwidth and computing power to our distributed file locating system, which enables users to locate and connect efficiently.



Key technologies include:

Multi-protocol file transfer technology. Our multi-protocol file transfer technology allows our product client to transmit, in parallel, from multiple sources that may use different file transfer protocols. Our multi-protocol file transfer technology significantly increases the number of data transmission sources available to further enhance data transmission performance.

Distributed file locating system. Our distributed file locating system helps users discover the best data transmission locations from across the internet, where a particular file may be transmitted or streamed for optimal performance. When a user requests data transmission using our Xunlei Accelerator, distributed file locating system will algorithmically prioritize and select from among the file's available data transmission locations an optimized subset of URLs based on their respective transmit speed and reliability, which is estimated through real-time collaborative interactions between our file index server and our massive network of active Xunlei Accelerator clients across the internet.

Network transport and traversal optimization. Our proprietary software algorithms perform dynamic internet bandwidth and throughput assessments across the Xunlei network and optimization of traffic routing to identify the most efficient path for data transport. These algorithms are designed to maximize delivery speed, reliability and efficiency, and support significant growth in network usage.

Cloud-based implementation

We provide cloud acceleration subscription services powered by our indexing technology and distributed file locating system. Our platform is compatible with different operating systems and hardware devices. As part of the infrastructure for the subscription services, except for proprietary load balancing and resource optimization algorithms, we maintain a virtual private network consisting of 42 co-location centers and over one million third party servers and over 8,000 servers that we own located throughout China.

We maintain proprietary load balancing and resource optimization algorithms, both of which help enhance our mass data mining on user habits to compile and maintain information on users' data transmission acceleration needs and requirements. As a cloud service provider, we use data mining for user habit prediction and co-location purposes. In user habit prediction, we analyze, sample and index user behavior data to help predict user acceleration needs and requirements. For co-location purposes, our program finds the most efficient and stable connection in our network for each transmission task. We also cooperate with telecom operators, maintaining logics and algorithms for our co-location centers in each telecom operator's network to enable real-time dynamic allocation of our servers and bandwidth to support user acceleration requirements. Our system automatically optimizes user connections based on key factors such as provincial network, firewall penetration and interconnection among various telecom operators.

Advertising services

Online advertising was and continues to be a significant source of revenues for us. We provide advertising services primarily through various forms of advertisements placed on Xunlei Kankan. While we had previously placed advertising on Xunlei Accelerator, we have ceased such advertising to improve the experience for our Xunlei Accelerator users. We had

399 advertisers in 2013 and 103 advertisers in the three months ended March 31, 2014. Our brand advertisers include a broad range of international and domestic companies that operate in a variety of industries. A significant majority of our advertisers purchase our online advertising services through third-party advertising agencies.

We focus on providing advertisers with creative and cost-effective advertising solutions. We strive to creatively utilize our integrated service interface in designing a particular advertising campaign for our online advertisers. For example, for a single advertising campaign, we not only can deliver different forms of in-video and display advertisements on Xunlei Kankan, but also can design tailored theme skins to be installed by our Xunlei Accelerator and Xunlei Media Player users. We offer advertisements with noticeable visual impact on Xunlei Kankan, such as high-definition background advertisements that border the video screen during the streaming and viewing of the video.

Marketing

Our user base has grown primarily through word-of-mouth. We believe satisfied users and customers are more likely to recommend our services to others. Thus, we continue to focus on improving our services and enhancing our user experience. We invest in a variety of marketing activities to further promote our brand awareness among existing and potential users as well as other customers. For example, we host or attend various public relations events, such as seminars, conferences and trade shows, in the advertising, online video and online game industries to attract users and advertisers. To drive the growth of our subscribers, we market our premium paid services and place subscription advertisements at prominent locations throughout our integrated service offerings.

Research and development

We believe that our commitment to research and development is an important contributing factor in our success. As of March 31, 2014, we had a team of 887 engineers. We provide our engineers with various continuing training programs and opportunities. To maintain and enhance our leadership position, we will continue to compete for engineering talent and invest in research and development in order to provide better services to our users, subscribers and advertisers.

Our research and development team is divided, according to focus areas, into core research and development, application engineering, subscription services engineering and wireless and embedded system engineering. The table below provides an outline of what each focus area entails:

Core research and development	Primarily focuses on the development of our basic technologies to ensure that we use the most advanced transmission techniques to maintain our competitive advantage.

Application Engineering	Primarily focuses on continuous development of our resource discovery/distributed file locating technologies to maintain the competitive advantages of our key products, such as Xunlei Accelerator and Xunlei Kankan, as well as the online games platform that we operate.
Subscription Services Engineering	Primarily focuses on diversifying and refining the paid services we provide to our subscribers.
Wireless and Embedded System Engineering	Primarily focuses on expanding our services into other internet-enabled devices, such as tablets, smartphones, set-top boxes and internet televisions.

Intellectual property

Protection of our intellectual property

Our patents, copyrights, trademarks, trade secrets and other intellectual property rights are critical to our business. We rely on a combination of patent, copyright, trademark, trade secret and other intellectual property-related laws in the PRC and contractual restrictions to establish and protect our intellectual property rights. In addition, we require all of our employees to enter into agreements requiring them to keep confidential all information they obtain during the course of their employment relating to our technology, methods, business practices, customers and trade secrets. As of March 31, 2014, we had 44 patents granted in the PRC and 3 granted in the United States, while another 5 patent applications are being examined by the State Intellectual Property Office of the PRC and 1 additional United States patent application is being reviewed by the United States Patent and Trademark Office. We also seek to vigorously protect our Xunlei brand and the brands of our other services. As of March 31, 2014, we have applied to register 157 trademarks, of which we have received 133 registered trademarks in different applicable trademark categories including 1 trademark registered with the United States Patent and Trademark Office and 1 trademark registered with World Intellectual Property Organization.

Digital media data monitoring and copyright protection

We take initiatives to protect third-party copyrights. The internet industry in China suffers from copyright infringement issues and online digital media content providers are frequently involved in litigation based on allegations of infringement or other violations of copyrights. Assisted by an intellectual property team dedicated to copyright protection, we have implemented internal procedures pursuant to the legal requirements under relevant PRC laws and regulations to remove content from our Xunlei Kankan website and our digital media content file index and platform promptly after we receive notice of infringement from the legitimate rights holder, and we work closely with the relevant regulatory authorities in China to ensure compliance with all relevant rules and regulations. We seek assurances in our contracts with digital media content providers that (i) they have the legal right to license the digital media data for the uses we require; (ii) the digital media content itself as well as the authorization or rights granted to us neither breach any applicable law, regulations or public morals, nor impair any third-party rights; and (iii) they will indemnify us for losses resulting

from both the non-compliance of such digital media content with the laws and claims from third parties.

As of the date of this prospectus, we have implemented several initiatives to further commit to copyright protection. In May 2014, we entered into a content protection agreement with the MPAA and its members, which are six major U.S. entertainment content providers. We have agreed to implement a comprehensive system of measures designed to prevent unauthorized downloading of and access to such content providers' works. Among these content protection measures, we have agreed to (1) implement a filtering system that will be applied to these content providers' video content, (2) filter these content providers' video content prior to making any such content available to our users through our websites or client applications, (3) adopt state-of-the-art fingerprinting-based filtering technologies, (4) cooperate with these content providers going forward to ensure the effectiveness of our content protection measures, and (5) incorporate additional content protection measures to the extent that they are necessary to effectively protect against copyright infringement.

User data safety

User data safety is a significant advantage we offer to our users. We try to improve user experience by usually maintaining two to four copies of one specific user file for data recovery in extreme circumstances such as system shutdown, private transmission backbone network problems and other contingencies beyond our control. The read and write characteristics of our distributed file locating system is identical to those of hard disks, and our unique user file decomposition and encryption algorithm enables us to maintain high standards for user data safety.

Competition

Due to our multiple service offerings, we face competition in several aspects of the internet services market in China. We believe that the key competitive factors in the overall internet services market in China include brand recognition, user traffic, technology platform and monetization abilities.

Our Xunlei Accelerator would primarily compete with Tencent (QQ Cyclone) and Baidu. Our Xunlei Kankan website primarily competes with other major online video websites in China such as Youku.com, Tudou.com and iQiyi.com. In addition, we also face competition for the advertisement budgets of our advertisers from other internet companies and other forms of media.

Employees

We had 1,094, 1,362 and 1,523 employees as of December 31, 2011, 2012 and 2013, respectively. As of March 31, 2014, we had 1,513 employees, including 62 in management, 887 in research and development, 210 in content procurement, 259 in sales and marketing and 95 in general administration. As required by PRC regulations, we participate in employee benefit plans organized by government authorities, including pensions, work-related injury benefits, medical benefits, maternity benefits, unemployment benefit and housing fund plans. We have granted stock options and restricted shares to management and key employees in order to reward their services and provide them with equity incentives. We maintain good employee relations and have not experienced any material labor disputes since our inception.

Facilities

Our principal executive offices are located at 4/F, Hans Innovation Mansion, North Ring Road, No. 9018 High-Tech Park, Nanshan District, Shenzhen, People's Republic of China, which comprises approximately 5,300 square meters of office space. In addition to other offices in Shenzhen, we also have offices in Beijing, Shanghai and Hong Kong and representative offices in Xiamen and Guangzhou, respectively, totaling approximately 16,000 square meters. Our leased premises are leased from unrelated third parties who have valid title to the relevant properties. The lease for our principal executive offices will expire in December 2016, and the other leases typically have terms of one to three years. Our servers are primarily hosted at internet data centers owned by major domestic internet data center providers. The hosting services agreements typically have one-year terms and are renewed automatically upon expiration. We believe that we will be able to obtain adequate facilities, principally through leasing, to accommodate our future expansion plans.

Legal proceedings

We have been involved in legal proceedings related to our business from time to time and expect to continue to be involved in such proceedings in the future. Internet services and media companies such as ours are frequently involved in litigation based on intellectual property-related claims. See "Risk factors—Risks related to our business—We face and expect to continue to face copyright infringement claims and other related claims, including claims based on content available through our services, which could be time-consuming and costly to defend and may result in damage awards, injunctive relief and/or court orders, divert our management's attention and financial resources and adversely impact our business."

As of March 31, 2014, we had 17 copyright infringement lawsuits pending against us with an aggregate amount of claimed damages against us of approximately RMB16.3 million (US$2.6 million). Between March 31, 2014 and the date of this prospectus, 8 out of 17 copyright infringement lawsuits pending were settled. The settlement of these copyright infringement lawsuits reduced the aggregate amount of claimed damages against us from approximately RMB16.3 million (US$2.6 million) to RMB0.7 million (US$0.1 million). Among the unsettled lawsuits, we are defending three copyright infringement lawsuits in the PRC relating to Gougou, a digital media content search engine previously owned by us. The plaintiffs in these lawsuits allege that the search result pages of Gougou place links to unauthorized index hosted by third parties. Although we are a named defendant in these cases, we sold the Gougou website and related intellectual property rights in 2010 to an unaffiliated third party, who agreed to assume all present and future Gougou-related intellectual property liabilities, including liabilities incurred in connection with these lawsuits. Pursuant to that agreement, we agreed to continue to provide technical support until the purchaser can independently operate the website. We have ceased to provide technical support to Gougou website since February 2011. In addition, we are party to six copyright infringement lawsuits involving Xunlei Kankan and other aspects of our business.

Although legal proceedings are inherently uncertain and their results cannot be predicted, we believe that the resolutions of the outstanding legal proceedings, even if adverse to us, will not individually or in the aggregate result in material liability to us, nor will they have a material adverse effect on our business, financial condition or results of operations. Regardless of the outcome, however, any litigation can result in substantial costs, and we face and expect to continue to face copyright infringement claims and other related claims, which could be time-consuming and costly to defend and may result in substantial damage awards, injunctive relief and/or court orders, divert our management's attention and financial resources and adversely impact our business.

Regulation

The following is a summary of the principal laws and regulations that are or may be applicable to companies such as ours in the PRC. The scope and enforcement of many of the laws and regulations described below are uncertain. We cannot predict the effect of further developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof.

Regulation on catalogue relating to foreign investment

Investment activities in the PRC by foreign investors are subject to the Catalogue for the Guidance of Foreign Investment Industry, or the Catalogue, which was promulgated and is amended from time to time by the Ministry of Commerce and the National Development and Reform Commission, or the NDRC. The Catalogue divides industries into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations.

Pursuant to the latest Catalogue amended in 2011, the provision of value-added telecommunications services falls in the restricted category and the percentage of foreign ownership cannot exceed 50%. The provision of internet cultural operating service (including online game operation services), internet news service, and production and online transmission of audio-visual programs service fall in the prohibited category and the foreign investors are prohibited to engage in such services. We conduct our operations in China principally through contractual arrangements among Giganology Shenzhen, our wholly-owned PRC subsidiary, and Shenzhen Xunlei, our VIE, and its shareholders. Shenzhen Xunlei holds the licenses and permits necessary to conduct our resource discovery network, online video, online advertising, online games and related businesses in China and holds various operating subsidiaries that conduct a majority of our operations in China. Both of Giganology Shenzhen and Xunlei Computer, another wholly-owned PRC subsidiary of ours, engage in the development of computer software, technical consulting and other related technical services and businesses, none of which falls into any of encouraged, restricted or prohibited categories under the Catalogue. Hence, these activities are deemed as permitted and open to foreign investment.

Regulation on telecommunications and internet information services

The telecommunications industry, including the internet sector, is highly regulated in the PRC. Regulations issued or implemented by the State Council, MIIT, and other relevant government authorities cover many aspects of operation of telecommunications and internet information services, including entry into the telecommunications industry, the scope of permissible business activities, licenses and permits for various business activities and foreign investment.

The principal regulations governing the telecommunications and internet information services we provide in the PRC include:

- *Telecommunications regulations* (2000), or the Telecom Regulations. The Telecom Regulations categorize all telecommunications businesses in the PRC as either basic or value-added. Value-added telecommunications services are defined as telecommunications and information services provided through public network infrastructures. The "Catalog of Telecommunications Business," an attachment to the Telecom Regulations and updated by

MIIT's Notice on Adjusting the Catalog of Telecommunications Business effective from April 1, 2003, categorizes various types of telecommunications and telecommunications-related activities into basic or value-added telecommunications services, according to which, internet information services, or ICP services, are classified as value-added telecommunications businesses. Under the Telecom Regulations, commercial operators of value-added telecommunications services must first obtain an ICP License from MIIT or its provincial level counterparts.

- *Administrative measures on internet information services* (2011, revised), or the Internet Measures. According to the Internet Measures, a commercial ICP service operator must obtain an ICP License from the relevant government authorities before engaging in any commercial ICP service within the PRC. When the ICP service involves areas of news, publication, education, medical treatment, health, pharmaceuticals, medical equipment and other industry and if required by law or relevant regulations, prior approval from the respective regulating authorities must be obtained prior to applying for the ICP License from MIIT or its local branch at the provincial level. Moreover, an ICP service operator must display its ICP License number in a conspicuous location on its website and must monitor its website to remove categories of harmful content that are broadly defined.

- *Administrative measures for telecommunications business operating license* (2009, revised), or the Telecom License Measures. The Telecom License Measures set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. For example, an ICP service operator conducting business within a single province must apply for the ICP License from MIIT's applicable provincial level counterpart, while an ICP service operator providing ICP services across provinces must apply for a Trans-regional ICP License directly from MIIT. An ICP service operator that has been granted a Trans-regional ICP License must file a record with the local branch of MIIT at the provincial level prior to conducting any value added telecommunications business in such provinces. The appendix to the ICP License must detail the permitted activities to be conducted by the ICP service operator. An approved ICP service operator must conduct its business in accordance with the specifications recorded on its ICP License. The ICP License is subject to annual review and the annual review result will be recorded as an appendix to the ICP License, published to the public and notified to the applicable administrative authority for industry and commerce.

- *Detailed rules on the administration of internet websites (2005)*, which set forth that the website operator is required to apply for the ICP filing from MIIT or its local branches at the provincial level on its own or through the access service provider.

- *Regulations for administration of foreign-invested telecommunications enterprises* (2008, revised), or the FITE Regulations. The FITE Regulations set forth detailed requirements with respect to, among others, capitalization, investor qualifications and application procedures in connection with the establishment of a foreign-invested telecommunications enterprise. Under the FITE Regulations, a foreign entity is prohibited from owning more than 50% of the total equity interest in any value-added telecommunications service business in the PRC and the major foreign investor in any value-added telecommunications service business in the PRC shall have good and profitable records and operating experiences in such industry.

- *Circular on strengthening the administration of foreign investment in and operation of value-added telecommunications business (2006)*. Under this circular, a domestic PRC company that holds an ICP License is prohibited from leasing, transferring or selling the ICP License to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in the PRC. Further, the domain names and registered trademarks used by an operating company providing value-added telecommunications service shall be legally owned by such company and/or its shareholders. In addition, such company's operation premises and equipment should comply with the approved covering region on its ICP License, and such company should establish and improve its internal internet and information security policies and standards and emergency management procedures.

To comply with these PRC laws and regulations, we operate our websites through Shenzhen Xunlei, our PRC variable interest entity. Shenzhen Xunlei currently holds an ICP License expiring on April 30, 2015 and owns the essential trademarks and domain names in relation to our value-added telecommunications business.

Under various laws and regulations governing ICP services, ICP services operators are required to monitor their websites. They may not produce, duplicate, post or disseminate any content that falls within the prohibited categories and must remove any such content from their websites, including any content that:

- opposes the fundamental principles determined in the PRC's Constitution;
- compromises state security, divulges state secrets, subverts state power or damages national unity;
- harms the dignity or interests of the State;
- incites ethnic hatred or racial discrimination or damages inter-ethnic unity;
- sabotages the PRC's religious policy or propagates heretical teachings or feudal superstitions;
- disseminates rumors, disturbs social order or disrupts social stability;
- propagates obscenity, pornography, gambling, violence, murder or fear or incites the commission of crimes;
- insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or
- includes other content prohibited by laws or administrative regulations.

The PRC government may shut down the websites of ICP License holders that violate any of such content restrictions and requirement, revoke their ICP Licenses or impose other penalties pursuant to applicable law. To comply with these PRC laws and regulations, we have adopted internal procedures to monitor content displayed on our website.

Regulation on online transmission of audio-visual programs

On July 6, 2004, GAPPRFT promulgated the *Measures for the Administration of Publication of Audio-visual Programs through Internet or Other Information Network*, or the 2004 Internet

A/V Measures, which apply to the activities relating to the opening, broadcasting, integration, transmission or download of audio-visual programs via internet or other information network. An applicant who engages in the business of transmitting audio-visual programs must apply for a license issued by GAPPRFT in accordance with the categories of business, receiving terminals, transmission networks and other items. Foreign invested enterprises are not allowed to engage in the above business. On April 13, 2005, the State Council promulgated the *Certain Decisions on the Entry of the Non-State-owned Capital into the Cultural Industry*. On July 6, 2005, MOC, GAPPRFT, the NDRC and the Ministry of Commerce, jointly adopted the *Several Opinions on Canvassing Foreign Investment into the Cultural Sector*. According to these regulations, non-State-owned capital and foreign investors are not allowed to conduct the business of transmitting audio-visual programs via information network.

On December 20, 2007, GAPPRFT and MIIT jointly promulgated the *Administrative Provisions on Internet Audio-visual Program Service*, or the Audio-visual Program Provisions, which came into effect on January 31, 2008. The Audio-visual Program Provisions apply to the provision of audio-visual program services to the public via internet (including mobile network) within the territory of the PRC. Providers of internet audio-visual program services are required to obtain a License for Online Transmission of Audio-visual Programs issued by GAPPRFT or complete certain registration procedures with GAPPRFT. Providers of internet audio-visual program services are generally required to be either State-owned or State-controlled by the PRC government, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program services determined by GAPPRFT. In a press conference jointly held by GAPPRFT and MIIT to answer questions with respect to the Audio-visual Program Provisions in February 2008, GAPPRFT and MIIT clarified that providers of internet audio-visual program services who engaged in such services prior to the promulgation of the Audio-visual Program Provisions shall be eligible to register their business and continue their operation of internet audio-visual program services so long as those providers had not been in violation of the laws and regulations.

On May 21, 2008, GAPPRFT issued a *Notice on Relevant Issues Concerning Application and Approval of License for Online Transmission of Audio-visual Programs*, which further sets forth detailed provisions concerning the application and approval process regarding the License for Online Transmission of Audio-visual Programs. The notice also provides that providers of internet audio-visual program services who engaged in such services prior to the promulgation of the Audio-visual Program Provisions shall also be eligible to apply for the license so long as their violation of the laws and regulations is minor and can be rectified timely and they have no records of violation during the latest three months prior to the promulgation of the Audio-visual Program Provisions.

On December 28, 2007, GAPPRFT issued the *Notice on Strengthening the Administration of TV Dramas and Films Transmitted via the Internet*, or the *Notice on Dramas and Films*. According to this notice, if audio-visual programs published to the public through an information network fall under the film and drama category, the requirements of the Permit for Issuance of TV Dramas, Permit for Public Projection of Films, Permit for Issuance of Cartoons or academic literature movies and Permit for Public Projection of Academic Literature Movies and TV Plays will apply accordingly. In addition, providers of such services should obtain prior consents from copyright owners of all such audio-visual programs.

Further, on March 31, 2009, GAPPRFT issued the *Notice on Strengthening the Administration of the Content of Internet Audio-visual Programs*, or the *Notice on Content of A/V Programs* which reiterates the requirement of obtaining the relevant permit of audio-visual programs to be published to the public through information network, where applicable, and prohibits certain types of internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other hazardous factors. In addition, on August 14, 2009, GAPPRFT issued the *Notice on Relevant Issues Regarding Strengthening of the Administration of Internet Audio/visual Program Services Received by Television Terminals*, which specifies that prior to providing audio-visual program services for television terminals, an ICP service operator shall obtain the License for Online Transmission of Audio-visual Programs containing the scope of "Integration and Operation Services of Audio-visual Programs Received by Television Terminals." On April 1, 2010, GAPPRFT issued the *Internet Audio/Visual Program Services Categories (Provisional)*, or the Provisional Categories, which classified internet audio-visual programs into four categories. However, at this stage, the Provisional Categories do not include internet television or mobile television, and it is unclear as to how the categorization system under the newly adopted Provisional Categories will be enforced or how will it evolve. To comply with these laws and regulations, Shenzhen Xunlei holds a License for Online Transmission of Audio-visual Programs which was updated in February 2012 with an effective period from February 29, 2012 to February 28, 2015. We plan to apply for the update of such license to cover the website of www.xunlei.com, the terminals of mobile devices and TVs and to cover all the business activities that we are currently engaging, such as the transmission of political news. See "Risk factors—Risks related to our business—We are strictly regulated in China. Any lack of requisite licenses or permits applicable to our business and any changes in government policies or regulations may have a material and adverse impact on our business, financial condition and results of operations."

Regulation on foreign movies and television programs

Broadcast of foreign movies and television programs is strictly regulated by GAPPRFT. On August 11, 1997, the State Council promulgated the *Administrative Regulations on Television and Radio*, under which any foreign television drama or other foreign television program to be broadcast by television or radio stations shall be subject to the prior inspection and approval by GAPPRFT or its authorized agencies. On December 25, 2001, the State Council promulgated the Administrative Provisions on Films, under which any foreign films to be published or shown in public shall also be subject to the prior inspection and approval by GAPPRFT or its authorized agencies.

In addition, on September 23, 2004, GAPPRFT promulgated the *Administrative Regulations on the Introduction and Broadcasting of Foreign Television Programs*, pursuant to which only organizations designated by GAPPRFT are qualified to apply to GAPPRFT or its authorized agencies for introduction or broadcasting of foreign television dramas or foreign television programs. Approval of such application is subject to the general plan of GAPPRFT and content of such foreign television dramas or programs must not by any means threaten the national security or violate any laws or regulations. In 2007, GAPPRFT issued the *Notice on Further Strengthening the Administration of the Introduction and Broadcasting of Foreign Television Programs*, emphasizing that the aforesaid regulations must be strictly followed.

The 2004 Internet A/V Measures also explicitly prohibit the internet service providers from broadcasting any foreign television or radio program over the information network and any violation may result in warnings, monetary penalties or criminal liabilities in severe cases. On November 19, 2009, GAPPRFT issued a notice to extend the prohibition of broadcasting foreign television programs to mobile TV. However, pursuant to several notices issued by GAPPRFT, such as the *Notice on Dramas and Films and the Notice on Content of A/V Programs* referenced above under "—*Regulation on online transmission of audio-visual programs*," foreign audio-visual programs may be published to the public through the internet, provided that such foreign audio-visual programs comply with the regulations on administration of radios, films and television, and that the relevant permits required by PRC laws and regulations, such as the Permit for Issuance of TV Dramas, Permit for Public Screening of Films, Permit for Issuance of Cartoons or academic literature movies and Permit for Public Screening of Academic Literature Movies and TV Plays, have been obtained for such foreign audio-visual programs. The promulgation of the *Notice on Dramas and Films and the Notice on Content of A/V Programs* implies that the absolute restriction over broadcasting foreign television or radio programs on the Internet as set forth in the 2004 Internet A/V Measures has been lifted.

We source foreign movies and television programs from various content providers. In dealing with content providers, we seek general assurance in the contracts we enter into with them that the content granted to us shall neither breach any applicable laws, regulations or public morals, nor impair any third party rights. We also source some foreign audio-visual programs directly from foreign content providers. However, we have not obtained any approval from GAPPRFT for introducing and broadcasting such foreign audio-visual programs and cannot assure you that we may be able to obtain such approval if required to do so. See "Risk factors—Risks related to our business—We are strictly regulated in China. Any lack of requisite licenses or permits applicable to our business and any changes in government policies or regulations may have a material and adverse impact on our business, financial condition and results of operations."

Regulation on production of radio and television programs

On July 19, 2004, GAPPRFT promulgated the *Regulations on the Administration of Production of Radio and Television Programs*, or the Radio and TV Programs Regulations, which came into effect as of August 20, 2004. Under the Radio and TV Programs Regulations, any entities that engage in the production of radio and television programs are required to apply for a license from GAPPRFT or its provincial branches. Entities with the Permit for Production and Operation of Radio and TV Programs must conduct their business operation strictly in compliance with the approved scope of production and operation and other than radio and TV stations, such entities must not produce radio and TV programs regarding current political news or similar subjects and columns. Shenzhen Xunlei holds a Permit for Production and Operation of Radio and TV Program which was last updated in September 2012 and will expire on September 24, 2015, with an approved scope of the production of radio plays, TV dramas, animations, featured shows and entertainment programs.

Regulation on online cultural activities

On February 17, 2011, MOC promulgated the new *Provisional Measures on Administration of Internet Culture*, or the Internet Culture Measures, which became effective as of April 1, 2011,

and the *Notice on Issues Relating to Implementing the Newly Amended Provisional Measures on Administration of Internet Culture* on Mar 18, 2011. MOC also abolished the *Provisional Measures on Administration of Internet Culture* promulgated on May 10, 2003 and amended on July 1, 2004 as well as the *Notice on Issues Relating to Implementing the Provisional Measures on Administration of Internet Culture* issued on July 4, 2003. The Internet Culture Measures apply to entities that engage in activities related to "online cultural products." "Online cultural products" are classified as cultural products produced, disseminated and circulated via internet which mainly include: (i) online cultural products particularly produced for the internet, such as online music entertainment, network games, network performance programs, online performing arts, online artworks and online animation features and cartoons; and (ii) online cultural products converted from music entertainment, games, performance programs, performing arts, artworks and animation features and cartoons, and disseminated via the internet. Pursuant to these measures, entities are required to obtain relevant Online Culture Operating Permits from the applicable provincial level culture administrative authority if they intend to commercially engage in any of the following types of activities:

- production, duplication, importation, distribution or broadcasting of online cultural products;
- publication of online cultural products on the internet or transmission thereof via information networks such as the internet and the mobile networks to computers, fixed-line or mobile phones, television sets or gaming consoles for the purpose of browsing, reviewing, using or downloading such products by online users; or
- exhibitions or contests related to online cultural products.

To comply with these then- and currently effective laws and regulations, Shenzhen Xunlei holds an Online Culture Operating Permit which was updated in September 2013 with an effective period from March 15, 2013 to March 15, 2016 for the operating of online games (including issuance of virtual currency), music entertainment products and animation and comic and Xunlei Games obtained an Online Culture Operating Permit in July 2013 with an effective period from July 30, 2013 to July 30, 2016 for the operating of online games (including issuance of virtual currency).

Regulation on online games

MOC is the government agency primarily responsible for regulating online games in the PRC. On June 3, 2010, MOC promulgated the *Provisional Measures on the Administration of Online Games*, pursuant to which the content of the online games are subject to the review of MOC. These measures set forth a series of prohibitions regarding the content of the online games, including but without limitation the prohibition on content that oppose the fundamental principles stated in the PRC Constitution, compromise state security, divulge state secrets, subvert state power or damage national unity, and content that is otherwise prohibited by laws or administrative regulations. Moreover, in accordance with these measures, ICP service operators engaging in any activities involving the operation of online games, issuance or trading of virtual currency must obtain the Online Culture Operating Permit and handle the censorship procedures for imported online games and the filing procedures for domestically developed online games with MOC and its provincial counterparts. The procedures for the censorship of imported online games must be conducted with MOC prior to the commencement date of the online operation and the filing procedures for domestic online

games must be conducted with MOC within 30 days after the commencement date of the online operation or the occurrence date of any material alteration of such online games. Regarding virtual currency trading, ICP service operators can only issue virtual currency in exchange of the service provided by itself rather than trading for service or products provided by third parties. ICP service operators cannot appropriate the advance payment by the players and are not allowed to provide trading service of virtual currency to minors. All the transactions in the accounts shall be kept in records for a minimum of 180 days. To comply with these laws and regulations, Shenzhen Xunlei and Xunlei Games have obtained the Online Culture Operating Permit respectively for operating online games.

Further, the online publication of online games is subject to the regulation of GAPPRFT under the *Tentative Administration Measures on Internet Publication* and ICP service operators must obtain the Internet Publication License prior to provision of any online game services. On September 28, 2009, GAPPRFT, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications jointly published the *Notice Regarding the Consistent Implementation of the "Stipulations on 'Three Provisions' of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games*", or the Notice of Three Provisions and Internet Games, which expressly requires that all online games need to be screened by GAPPRFT through the advanced approvals before they are operated online, and any updated online game versions or any change to the online games shall be subject to further advanced approvals before they can be operated online. In addition, foreign investors are prohibited from operating online games by the forms of Sino-foreign joint ventures, Sino-foreign cooperatives and wholly foreign-owned enterprises. The indirect functions such as contractual control and technology supply are also prohibited.

Our online games services are currently provided by Shenzhen Xunlei and Xunlei Games. Shenzhen Xunlei holds an Internet Publication License and Xunlei Games is in the process of applying for an Internet Publication License from GAPPRFT for its publication of online games. We also require the developers of certain online games to obtain the requisite approvals of relevant online games from GAPPRFT, and make the filings with MOC, for relevant online games. See "Risk factors—Risks related to our business—We may not be able to successfully address the challenges and risks we face in the online games market, such as a failure to successfully implement our plan to acquire exclusive rights to operate and sub-license games or to obtain all the licenses required to operate online games, which may subject us to penalties from relevant authorities, including the discontinuance of our online game business."

Regulation on anti-fatigue system, real-name registration system and parental guardianship project

In April 2007, GAPPRFT and several other government agencies issued a circular requiring the implementation of an anti-fatigue system and a real-name registration system by all PRC online game operators to curb addictive online game playing by minors. Under the anti-fatigue system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be "healthy," three to five hours to be "fatiguing," and five hours or more to be "unhealthy." Game operators are required to reduce the value of in-game

benefits to a minor player by half if the minor has reached the "fatiguing" level, and to zero once reaching the "unhealthy" level.

To identify whether a game player is a minor and thus subject to the anti-fatigue system, a real-name registration system must be adopted to require online game players to register their real identity information before playing online games. The online game operators are also required to submit the identity information of game players to the public security authority for verification. In July 2011, GAPPRFT, together with several other government agencies, jointly issued the *Notice on Initializing the Verification of Real-name Registration for the Anti-Fatigue System on Online Games*, or the Real-name Registration Notice, to strengthen the implementation of the anti-fatigue and real-name registration system. The main purpose of the Real-name Registration Notice is to curb addictive online game playing by minors and protect their physical and mental health. This notice indicates that the National Citizen Identity Information Center of the Ministry of Public Security will verify identity information of game players submitted by online game operators. The Real-name Registration Notice also imposes stringent penalties on online game operators that do not implement the required anti-fatigue and real-name registration systems properly and effectively, including terminating their online game operations.

In January 2011, MOC, together with several other government agencies, jointly issued a *Circular on Printing and* Distributing *Implementation Scheme regarding Parental Guardianship Project for Minors Playing Online Games* to strengthen the administration of online games and protect the legitimate rights and interests of minors. This circular indicates that online game operators must have person in charge, set up specific service webpages and publicize specific hotlines to provide parents with necessary assistance to prevent or restrict minors' improper game playing behavior. Online game operators must also submit a report regarding its performance under the Parental Guardianship Project to the local MOC office each quarter.

We have developed and implemented an anti-fatigue and compulsory real-name registration system in our online games, and will cooperate with the National Citizen Identity Information Center to launch the identity verification system upon the issuance of relevant implementing rules. For game players who do not provide verified identity information, we assume that they are minors under 18 years of age. In order to comply with the anti-fatigue rules, we set up our system so that after three hours of playing our online games, minors only receive half of the virtual items or other in-game benefits they would otherwise earn, and after playing for more than five hours, minors would receive no in-game benefits.

Regulation on online game virtual currency

On February 15, 2007, MOC, the People's Bank of China and other relevant government authorities jointly issued the *Notice on Further Strengthening Administrative Work on the Internet Cafes and Online Games*, or the Internet Cafes Notice, pursuant to which the People's Bank of China is directed to strengthen the administration of virtual currency in online games to avoid any adverse impact on the economy and financial system. This notice provides that the total amount of virtual currency issued by online game operators and the amount purchased by individual game players should be strictly limited, with a strict and clear division between virtual transactions and real transactions carried out by way of electronic commerce. It also provides that virtual currency shall only be used to purchase virtual items. On June 4, 2009, MOC and Ministry of Commerce jointly issued the *Notice on Strengthening the Administrative*

Work on Virtual Currency of Online Games, pursuant to which no enterprise may concurrently provide both virtual currency issuance service and virtual currency transaction service.

In addition, the Provisional Measures on the Administration of Online Games require companies that (i) issue online game virtual currency (including prepaid cards and/or pre-payment or prepaid card points) or (ii) offer online game virtual currency transaction services to apply for the Online Culture Operating Permit from provincial branches of MOC. The regulations prohibit companies that issue online game virtual currency from providing services that would enable the trading of such virtual currency. Any company that fails to submit the requisite application will be subject to sanctions, including but not limited to termination of operation, confiscation of incomes and fines. The regulations also prohibit online game operators from allocating virtual items or virtual currency to players based on random selection through lucky draw, wager or lottery that involves cash or virtual currency directly paid by the players. In addition, companies that issue online game virtual currency must comply with certain specific requirements, for example, online game virtual currency can only be used for products and services related to the issuance company's own online games.

To comply with these regulations, Shenzhen Xunlei has obtained the Online Culture Operating Permit for issuing online game virtual currency, and we plan to make the requested filing of its issuance of virtual currency with the local branch of MOC in Guangdong.

Regulation on internet news dissemination

SCIO and MIIT promulgated the *Provisional Regulations for the Administration of Internet Websites Engaging in News Publication Services*, and the *Provisions for the Administration of Internet News Information Services* on November 7, 2000 and September 25, 2005, respectively. Pursuant to such regulations, websites established by non-news organizations may publish news released by certain official news agencies but may not publish news generated by themselves or news sourced elsewhere. In order to disseminate news, such websites must satisfy the relevant requirements set forth in the foregoing two regulations and have acquired the approval from SCIO after securing permission from the news office of the local government at the provincial level. Moreover, the websites intending to publish the news released by the aforementioned news agencies must enter into agreements with the respective news agencies, and file copies of such agreements with the news office of the local government at the provincial level. In addition, any organization is prohibited from establishing Sino-foreign joint ventures, Sino-foreign cooperatives and wholly foreign owned enterprises to operate internet news dissemination service. The content we currently provide on our websites includes some current political news from third party news providers. Currently we do not hold an internet news license from SCIO and we plan to apply for such internet news license. However, we cannot assure you that we will be able to obtain such license in a timely manner or at all. See "Risk factors—Risks related to our business—We are strictly regulated in China. Any lack of requisite licenses or permits applicable to our business and any changes in government policies or regulations may have a material and adverse impact on our business, financial condition and results of operations."

Regulation on internet publication

GAPPRFT is the government agency responsible for regulating publication activities in the PRC. On June 27, 2002, MIIT and GAPPRFT jointly promulgated the *Tentative Administration*

Measures on Internet Publication, or the Internet Publication Measures, which took effect on August 1, 2002. The Internet Publication Measures require internet publishers to secure approval, or the Internet Publication License, from GAPPRFT to conduct internet publication activities. The term "internet publication" is defined as an act of online dissemination where internet information service providers select, edit and process works created by themselves or others (including content from books, newspapers, periodicals, audio and video products, electronic publications, and other sources that have already been formally published or works that have been made public in other media) which they then post on the internet or transmit to users via the internet for browsing, use or downloading by the public. The Internet Publication Measures also provide the detailed qualifications and application procedures for obtaining the Internet Publication License. Neither GAPPRFT nor MIIT has specified whether the approval required by the Internet Publication Measures is applicable to the dissemination of online audio and video programs. However, the Notice of Three Provisions and Internet Games issued jointly by GAPPRFT and other relevant administrations confirmed that the entities operating internet games must obtain the Internet Publication License. On February 21, 2008, the GAPPRFT promulgated the *Rules for the Administration of Electronic Publication*, or the Electronic Publication Rules, which took effect on April 15, 2008. Under the Electronic Publication Rules and other regulations issued by the GAPPRFT, online games are classified as a kind of electronic publication, and publishing of online games is required to be conducted by licensed electronic publishing entities that have been issued standard publication codes. Pursuant to the Electronic Publication Rules, if a PRC company is contractually authorized to publish foreign electronic publications, it must obtain the approval of, and register the copyright license contract with, the GAPPRFT.

Shenzhen Xunlei holds an Internet Publication License for the publication of internet games with an expiry date of September 17, 2017 and is in the process of applying for expansion of the business scope therein to include the publication of music works and other internet publishing activities, and Xunlei Games is in the process of applying for the internet publication license for its publication of online games. See "Risk factors—We may not be able to successfully address the challenges and risks we face in the online games market, such as a failure to successfully implement our plan to acquire exclusive rights to operate and sub-license games or to obtain all the licenses required to operate online games, which may subject us to penalties from relevant authorities, including the discontinuance of our online game business."

Regulation 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 Internet Measures prohibit ICP service operators from insulting or slandering a third party or infringing upon the lawful rights and interests of a third party. Pursuant to the BBS Measures, ICP service operators that provide electronic messaging services must keep users' personal information confidential and must not disclose such personal information to any third party without the users' consent, unless such disclosure is required by law. The regulations further authorize the relevant telecommunications authorities to order ICP service operators to rectify unauthorized disclosure. ICP service 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 service operators to turn over

personal information if an internet user posts any prohibited content or engages in illegal activities on the internet. Under the *Several Provisions on Regulating the Market Order of Internet Information Services* issued by MIIT on December 29, 2011, without the consent of a user, an ICP operator may not collect any user personal information or provide any such information to third parties. An ICP service operator shall expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An ICP service operator is also required to properly keep the user personal information, and in case of any leak or likely leak of the user personal information, the ICP service operator shall take immediate remedial measures and in severe consequences, to make an immediate report to the telecommunications regulatory authority. In addition, pursuant to the *Decision on Strengthening the Protection of Online Information* issued by the Standing Committee of the National People's Congress of the PRC on December 28, 2012, or the Decision, and the *Order for the Protection of Telecommunication and Internet User Personal Information* issued by MIIT on July 16, 2013, or the Order, any collection and use of user personal information shall be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An ICP service operator shall also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying of any such information, or selling or proving such information to other parties. Any violation of the Decision or the Order may subject the ICP service operator to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

To comply with these laws and regulations, we have required our users to consent to our collecting and using their personal information, established information security systems to protect user's privacy.

Regulation on internet medicine information service

The State Food and Drug Administration, or the SFDA, promulgated the *Administration Measures on Internet Medicine Information Service* on July 8, 2004 and certain implementing rules and notices thereafter. These measures set out regulations governing the classification, application, approval, content, qualifications and requirements for internet medicine information services. An ICP service operator that provides information regarding medicine or medical equipment must obtain an Internet Medicine Information Service Qualification Certificate from the applicable provincial level counterpart of SFDA. Shenzhen Xunlei obtained a Medicine Information Service Qualification Certificate from Guangdong Food and Drug Administration for the provision of internet medical information services with an expiry date of November 26, 2018.

Regulation on advertising business

The State Administration for Industry and Commerce, or the SAIC, is the government agency responsible for regulating advertising activities in the PRC.

According to the PRC laws and regulations, companies that engage in advertising activities must obtain from SAIC or its local branches a business license which specifically includes operating an advertising business within its business scope. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or

revoked due to a violation of any relevant law or regulation. PRC advertising laws and regulations set forth certain content requirements for advertisements in the PRC including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisers, advertising agencies, and advertising distributors are required by PRC advertising laws and regulations to ensure that the content of the advertisements they prepare or distribute is true and in full compliance with applicable law. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for advertisements and verify that the content of the advertisements complies with applicable PRC laws and regulations. Prior to distributing advertisements that are subject to government censorship and approval, advertising distributors are obligated to verify that such censorship has been performed and approval has been obtained. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. In circumstances involving serious violations, SAIC or its local branches may revoke violators' licenses or permits for their advertising business operations.

To comply with these laws and regulations, we have obtained a business license, which allows us to operate advertising businesses, and adopted several measures. Our advertising contracts require that substantially all advertising agencies or advertisers that contract with us must examine the advertising content provided to us to ensure that such content are truthful, accurate and in full compliance with PRC laws and regulations. In addition, we have established a task force to review all advertising materials to ensure the content does not violate the relevant laws and regulations before displaying such advertisements, and we also request relevant advertisers to provide proof of governmental approval if an advertisement is subject to special government review. See "Risk factors—Risks related to our business—Advertisements we display may subject us to penalties and other administrative actions."

Regulation on information security and censorship

The applicable PRC laws and regulations specifically prohibit the use of internet infrastructure where it may breach public security, provide content harmful to the stability of society or disclose state secrets. According to these regulations, it is mandatory for internet companies in the PRC to complete security filing procedures and regularly update information security and censorship systems for their websites with the local public security bureau. In addition, the newly amended *Law on Preservation of State Secrets* which became effective on October 1, 2010 provides that whenever an internet service provider detects any leakage of state secrets in the distribution of online information, it should stop the distribution of such information and report to the authorities of state security and public security. As per request of the authorities of state security, public security or state secrecy, the internet service provider should delete any content on its website that may lead to disclosure of state secrets. Failure to do so on a timely and adequate basis may subject the internet service provider to liability and certain penalties given by the State Security Bureau, the Ministry of Public Security and/or MIIT or their respective local counterparts. As Shenzhen Xunlei is an ICP operator, it is subject to the laws and regulations relating to information security and censorship. To comply with these laws and regulations, it has completed the mandatory security filing procedures with the local public

security authorities, and regularly updates its information security and content-filtering systems with newly issued content restrictions as required by the relevant laws and regulations.

Regulation on torts

The *Tort Law* was promulgated by the Standing Committee of the National People's Congress on December 26, 2009 and became effective on July 1, 2010. Under this law, internet users and internet service providers shall bear tortious liability in the event they infringe upon other people's civil rights and interests through the internet. Where an internet user is infringing upon the civil rights or interests of another person via internet, the injured party shall have the right to demand the relevant internet service provider to take necessary measures such as deleting the infringing content, etc. by serving the internet service provider a notice. Where the internet service provider fails to take any necessary measures, it shall be jointly and severally liable with the internet user for any additional injury or damage incurred thereafter. Under the circumstance that the internet service provider is aware that an internet user is infringing upon the civil rights or interests of another person and fails to take necessary measures, the internet service provider shall be jointly liable for such infringement with such internet user.

Regulation on intellectual property rights

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

Copyright law

Under the Copyright Law (1990), as revised in 2001 and 2010, and its related Implementing Regulations (2002), as revised in 2013, creators of protected works enjoy personal and property rights, including, among others, the right of dissemination via information network of the works. The term of a copyright, other than the rights of authorship, alteration and integrity of an author which shall be unlimited in time, is life plus 50 years for individual authors and 50 years for corporations.

To address the problem of copyright infringement related to content posted or transmitted on the internet, the PRC National Copyright Administration and MIIT jointly promulgated the *Measures for Administrative Protection of Copyright Related to Internet* on April 29, 2005. These measures, which became effective on May 30, 2005, apply to acts of automatically providing services such as uploading, storing, linking or searching works, audio or video products, or other contents through the internet based on the instructions of internet users who publish contents on the internet, without editing, amending or selecting any transmitted content. When imposing administrative penalties upon the act which infringes upon any users' right of communication through information networks, the *Measures for Imposing Copyright Administrative Penalties*, promulgated in 2009, shall be applied.

Pursuant to the *Regulation on Protection of the Right of Communication through Information Network (2006)*, as amended in 2013, an ICP service provider may be exempted from indemnification liabilities under certain circumstances:

- any ICP service provider, who provides automatic internet access service upon instructions of its users or provides automatic transmission service of works, performance and audio-visual

products provided by its users, will not be required to assume the indemnification liabilities if (i) it has not chosen or altered the transmitted works, performance and audio-visual products; and (ii) it provides such works, performance and audio-visual products to the designated user and prevents any person other than such designated user from obtaining the access.

- any ICP service provider who, for the sake of improving network transmission efficiency, automatically provides to its own users, based on the technical arrangement, the relevant works, performances and audio-visual products obtained from any other ICP service providers will not be required to assume the indemnification liabilities if (i) it has not altered any of the works, performance or audio-visual products that are automatically stored; (ii) it has not affected such original ICP service provider in grasping the circumstances where the users obtain the relevant works, performance and audio-visual products; and (iii) when the original ICP service provider revises, deletes or shields the works, performance and audio-visual products, it will automatically revise, delete or shield the same based on the technical arrangement.

- any ICP service provider, who provides its users with information memory space for such users to provide the works, performance and audio-visual products to the general public via the information network, will not be required to assume the indemnification liabilities if (i) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (ii) it has not altered the works, performance and audio-visual products that are provided by the users; (iii) it is not aware of or has no reason to know the infringement of the works, performance and audio-visual products provided by the users; (iv) it has not directly derived any economic benefit from the provision of the works, performance and audio-visual products by its users; and (v) after receiving a notice from the right holder, it has deleted such works, performance and audio-visual products as alleged for infringement pursuant to such regulation.

- any ICP service provider, who provides its users with search services or links, will not be required to assume the indemnification liabilities if, after receiving a notice from the rights holder, it has deleted the works, performance and audio-visual products as alleged for copyright infringement pursuant to this regulation. However, the ICP service provider shall be subject to joint liabilities for copyright infringement if it is aware of or has reason to know the infringement of the works, performance and audio-visual products to which it provides links.

In December 2012, the Supreme People's Court of China promulgated the *Provisions on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks*, which provides that the courts will require ICP service providers to remove not only links or content that have been specifically mentioned in the notices of infringement from rights holders, but also links or content they "should have known" to contain infringing content. The provisions further provide that where an ICP service provider has directly obtained economic benefits from any content made available by an internet user, it has a higher duty of care with respect to internet users' infringement of third-party copyrights.

To comply with these laws and regulations, we have implemented internal procedures to monitor and review the content we have licensed from content providers before they are released on Xunlei Kankan and remove any infringing content promptly after we receive notice of infringement from the legitimate rights holder.

Patent law

The National People's Congress adopted the Patent Law in 1984, and amended it in 1992, 2000 and 2008, respectively. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation or designs that are mainly used for marking the pattern, color or combination of these two of prints. The State Intellectual Property Office under the State Council is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term in the case of an invention and a ten-year term in the case of a utility model or design, starting from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights. Among the patent applications we have filed, 44 were granted in the PRC, while another five applications are being examined by the State Intellectual Property Office of the PRC.

Trademark law

Registered trademarks are protected under the Trademark Law adopted in 1982 and amended in 1993, 2001 and 2013 and its implementation rules. The PRC Trademark Office of SAIC is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark that has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark shall not prejudice the existing right of others obtained by priority, nor shall any person register in advance a trademark that has already been used by another person and has already gained "sufficient degree of reputation" through that person's use. After receiving an application, the PRC Trademark Office will make a public announcement if the relevant trademark passes the preliminary examination. Within three months after such public announcement, any person may file an opposition against a trademark that has passed a preliminary examination. The PRC Trademark Office's decisions on rejection, opposition or cancellation of an application may be appealed to the PRC Trademark Review and Adjudication Board, whose decision may be further appealed through judicial proceedings. If no opposition is filed within three months after the public announcement period or if the opposition has been overruled, the PRC Trademark Office will approve the registration and issue a registration certificate, upon which the trademark is registered and will be effective for a renewable ten-year period, unless otherwise revoked. As of March 31, 2014, we had applied for registration of 157 trademarks, of which we had received 133 registered trademarks in different applicable trademark categories, including 1 trademark registered with the

United States Patent and Trademark Office and 1 trademark registered with World Intellectual Property Organization.

Regulation on domain name

The domain names are protected under the *Administrative Measures on the Internet Domain Names* promulgated by MIIT on November 5, 2004 and effective on December 20, 2004. MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which China Internet Network Information Center, or CNNIC, is responsible for the daily administration of CN domain names and Chinese domain names. On September 25, 2002, CNNIC promulgated the *Implementation Rules of Registration of Domain Name*, or the CNNIC Rules, which was renewed on June 5, 2009 and May 29, 2012, respectively. Pursuant to the *Administrative Measures on the Internet Domain Names* and the CNNIC Rules, the registration of domain names adopts the "first to file" principle and the registrant shall complete the registration via the domain name registration service institutions. In the event of a domain name dispute, the disputed parties may lodge a complaint to the designated domain name dispute resolution institution to trigger the domain name dispute resolution procedure in accordance with the *CNNIC Measures on Resolution of the Domain Name Disputes*, file a suit to the People's Court or initiate an arbitration procedure. We have registered www.xunlei.com, www.kankan.com and other domain names.

Regulation on tax

PRC enterprise income tax

The PRC enterprise income tax is calculated based on the taxable income determined under the PRC laws and accounting standards. On March 16, 2007, the National People's Congress of China enacted a new *PRC Enterprise Income Tax Law*, or the EIT Law, which became effective on January 1, 2008. On December 6, 2007, the State Council promulgated the *Implementation Rules to the PRC Enterprise Income Tax Law*, or the Implementation Rules, which also became effective on January 1, 2008. On December 26, 2007, the State Council issued the Notice on Implementation of Enterprise Income Tax Transition Preferential Policy under the PRC Enterprise Income Tax Law, or the Transition Preferential Policy Circular, which became effective simultaneously with the EIT Law. The EIT Law imposes a uniform enterprise income tax rate of 25% on all domestic enterprises, including foreign-invested enterprises unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations. Under the EIT Law and the Transition Preferential Policy Circular, enterprises that were established before March 16, 2007 and already enjoyed preferential tax treatments will continue to enjoy them (i) in the case of preferential tax rates, for a period of five years from January 1, 2008; during the five-year period, the tax rate will gradually increase from 15% 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, the EIT Law and its implementation rules permit qualified high and new technology enterprises, or HNTEs, to enjoy a reduced enterprise income tax rate of 15%.

Moreover, under the EIT Law, enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Implementation Rules define the term "de facto management body" as the management body that exercises full and substantial control and overall

management over the business, productions, personnel, accounts and properties of an enterprise. In addition, the *Circular Related to Relevant Issues on the Identification of a Chinese holding Company Incorporated Overseas as a Residential Enterprise under the Criterion of De Facto Management Bodies* issued by the State Administration of Taxation on April 22, 2009 provides that a foreign enterprise controlled by a PRC enterprise or a PRC enterprise group will be classified as a "resident enterprise" with its "de facto management bodies" located within China if the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function mainly in the PRC; (ii) its financial and human resources 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) at least half of the enterprise's directors or senior management with voting rights reside in the PRC. Although the circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, the determining criteria set forth in the circular may reflect the State Administration of Taxation's general position on how the "de facto management body" text should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

Although we are not controlled by a PRC enterprise or PRC enterprise group and we do not believe that we meet all of the above-mentioned conditions, substantial uncertainty exists as to whether we will be deemed a PRC resident enterprise for enterprise income tax purpose. In the event that we are considered a PRC resident enterprise, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income, but the dividends that we receive from our PRC subsidiaries would be exempt from the PRC withholding tax since such income is exempted under the PRC Enterprise Income Tax Law for a PRC resident enterprise recipient. See "Risk factors—Risks related to doing business in China—Our global income may be subject to PRC taxes under the PRC EIT Law, which may have a material adverse effect on our results of operations."

Under applicable PRC tax laws and regulations, arrangements and transactions among related parties may be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. We could face material and adverse tax consequences if the PRC tax authorities were to determine that the contractual arrangements among Giganology Shenzhen, our wholly-owned subsidiary in China and Shenzhen Xunlei, our variable interest entity in China and its shareholders were not entered into on an arm's-length basis and therefore constituted unfavorable transfer pricing arrangements. Unfavorable transfer pricing arrangements could, among other things, result in an upward adjustment to the tax liability of Shenzhen Xunlei, and the PRC tax authorities may impose interest on late payments on Shenzhen Xunlei for the adjusted but unpaid taxes. Our results of operations may be materially and adversely affected if Shenzhen Xunlei's tax liabilities increase significantly or if it is required to pay interest on late payments.

PRC business tax

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. However, if the services provided are related to

technology development and transfer, such business tax may be exempted subject to the approval of relevant tax authorities.

PRC value added tax

On January 1, 2012, the Chinese State Council officially launched a pilot value-added tax reform program, or the Pilot Program, applicable to businesses in selected industries. Businesses in the Pilot Program would pay value added tax, or VAT, instead of business tax. The Pilot Program initially applied only to transportation industry and "modern service industries" in Shanghai and would be expanded to eight trial regions (including Beijing and Guangdong province) and nationwide if conditions permit. The pilot industries in Shanghai included industries involving the leasing of tangible movable property, transportation services, research and development and technical services, information technology services, cultural and creative services, logistics and ancillary services, certification and consulting services. Revenues generated by advertising services, a type of "cultural and creative services", are subject to the VAT tax rate of 6%. According to official announcements made by competent authorities in Beijing and Guangdong province, Beijing launched the same Pilot Program on September 1, 2012, and Guangdong province launched it on November 1, 2012.

The business tax has been imposed primarily on our revenues from the provision of taxable services, assignments of intangible assets and transfers of real estate. Prior to the implementation of the pilot program, our business tax generally ranged from 3% to 5%, subject to the nature of the revenues being taxed. Before the implementation of the pilot program, we were mainly subject to a small amount of VAT mainly for revenues of the sale of software. VAT has been imposed on those revenues at a rate of 17%. With the implementation of the Pilot Program, in addition to the revenues currently subject to VAT, our advertising and content sub-licensing revenues are in the scope of the pilot program and are now subject to VAT at a rate of 6%.

On May 24, 2013, the Ministry of Finance and the State Administration of Taxation issued the *Circular on Tax Policies in the Nationwide Pilot Collection of Value Added Tax in Lieu of Business Tax in the Transportation Industry and Certain Modern Services Industries*, or the Pilot Collection Circular. The scope of certain modern services industries under the Pilot Collection Circular extends to the inclusion of radio and television services.

PRC dividend withholding tax

Under the PRC tax laws effective prior to January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises were exempt from PRC withholding tax. Pursuant to the EIT Law and the Implementation Rules, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign enterprise investors are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Under the China-HK Taxation Arrangement, income tax on dividends payable to a company resident in Hong Kong that holds more than a 25% equity interest in a PRC resident enterprise may be reduced to a rate of 5%. According to the SAT Circular 601, the 5% tax rate does not automatically apply and approvals from competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under the relevant taxation treaties. In addition, according to a tax circular issued by SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have

the discretion to adjust the preferential tax rate enjoyed by the relevant offshore entity. Although Xunlei Computer is currently wholly owned by Xunlei Network HK, we cannot assure you that we may be able to enjoy the preferential withholding tax rate of 5% under the China-HK Taxation Arrangement.

Regulation on labor laws and social insurance

Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative liabilities. Criminal liability may arise for serious violations.

In addition, employers in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

To comply with these laws and regulations, we have caused all of our full-time employees to enter into labor contracts and provide our employees with the proper welfare and employment benefits.

Regulation on foreign exchange control and administration

Foreign exchange regulation in the PRC is primarily governed by the following regulations:

- *Foreign Exchange Administration Rules*, or the Exchange Rules, promulgated by the State Council on January 29, 1996, which was amended on January 14, 1997 and on August 5, 2008 respectively; and

- *Administration Rules of the Settlement, Sale and Payment of Foreign Exchange*, or the Administration Rules promulgated by the People's Bank of The PRC on June 20, 1996.

Under the Exchange Rules, Renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. As for capital account items, such as direct investments, loans, security investments and the repatriation of investment returns, however, the conversion of foreign currency is still subject to the approval of, or registration with, SAFE or its competent local branches; while for the foreign currency payments for current account items, the SAFE approval is not necessary for the conversion of Renminbi except as otherwise explicitly provided by laws and regulations. Under the Administration Rules, enterprises may only buy, sell or remit foreign currencies at banks that are authorized to conduct foreign exchange business after the enterprise provides valid commercial documents and relevant supporting documents and, in the case of certain capital account transactions, after obtaining approval from SAFE or its competent local branches. Capital investments by enterprises outside of the PRC are also subject to limitations, which include approvals by the Ministry of Commerce, SAFE and the National Development and Reform Commission, or their respective competent local branches. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under

the new policy, the Renminbi is permitted to fluctuate within a band against a basket of certain foreign currencies.

On August 29, 2008, SAFE issued the *Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises*, or Circular No. 142. Pursuant to Circular No. 142, the Renminbi capital from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope as approved by the applicable government authority and unless it is otherwise provided by law, such Renminbi capital cannot be used for domestic equity investment. Documents certifying the purposes of the settlement of foreign currency capital into Renminbi, including a business contract, must also be submitted for the settlement of the foreign currency. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from foreign currency registered capital of a foreign-invested company. The use of such Renminbi capital may not be altered without the SAFE's approval, and such Renminbi capital may not be used to repay Renminbi loans if such loans have not been used. Violations of the Circular No. 142 could result in severe monetary fines or penalties.

On November 19, 2012, SAFE promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment*, or Circular 59, which became effective on December 17, 2012. Circular 59 substantially amends and simplifies the current foreign exchange procedure. The major developments under Circular 59 are that the opening of various special purpose foreign exchange accounts (e.g. pre-establishment expenses account, foreign exchange capital account, guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of Circular 59. Reinvestment of RMB proceeds by foreign investors in the PRC no longer requires SAFE approval or verification, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer requires SAFE approval.

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

Regulation on foreign exchange registration of offshore investment by PRC residents

On October 21, 2005, SAFE issued the *Circular on Several Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investments via Overseas Special Purpose Companies*, or Circular No. 75, which went into effect on November 1, 2005. Circular No. 75 and related rules provide that if PRC residents establish or acquire direct or indirect interests of offshore special purpose companies, or offshore SPVs, for the purpose of financing these offshore SPVs with assets of, or equity interests in, an enterprise in the PRC, or inject assets or equity interests of PRC entities into offshore SPVs, they must register with local SAFE branches with respect to their investments in offshore SPVs. Circular No. 75 also requires

PRC residents to file changes to their registration if their offshore SPVs undergo material events such as capital increase or decrease, share transfer or exchange, merger or division, long-term equity or debt investments, and provision of guaranty to a foreign party. SAFE subsequently issued relevant guidance to its local branches with respect to the operational process for the SAFE registration under Circular No. 75, which standardized more specific and stringent supervision on the registration relating to Circular No. 75 and imposed obligations on onshore subsidiaries of offshore SPVs to coordinate with and supervise PRC residents holding direct or indirect interest in offshore SPVs to complete the SAFE registration process. Under the relevant SAFE rules, failure to comply with the registration procedures set forth in Circular No. 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore companies of offshore SPVs, including the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from such offshore entity, and may also subject relevant PRC residents and onshore company to penalties under PRC foreign exchange administration regulations.

We have requested PRC residents holding direct or indirect interest in our company to our knowledge to make the necessary applications, filings and amendments as required under Circular No. 75 and other related rules. Our PRC resident shareholders, namely Sean Shenglong Zou, Hao Cheng and Fang Wang, have completed the registration and amendment registration with the local SAFE branch in relation to all our previous private financings and their subsequent ownership changes by April 2012 as required under the SAFE regulations and are in the process of applying for the relevant amendment registrations with the local SAFE branch in relation to their ownership changes in our Company and our series E financing after April 2012. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurances that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by Circular No. 75 or other related rules. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements under Circular No. 75 and other related rules may subject such PRC residents or our PRC subsidiaries to fines and legal sanctions and may also limit our ability to raise additional financing and contribute additional capital into or provide loans to (including using the proceeds from this offering) our PRC subsidiaries, limit our PRC subsidiaries' ability to pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

Regulation on employee share options

On December 25, 2006, the People's Bank of China promulgated the *Administrative Measures for Individual Foreign Exchange*. On February 15, 2012, SAFE issued the *Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies*, or the Stock Option Rules, which replaced the *Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies* issued by SAFE on March 28, 2007. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges according to the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to

conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies with SAFE or its local branches.

Our PRC citizen employees who have been granted share options, or PRC optionees, will be subject to the Stock Option Rules when our company becomes an overseas listed company upon the completion of this offering. If we or our PRC optionees fail to comply with the Individual Foreign Exchange Rule and the Stock Option Rules, we and/or our PRC optionees may be subject to fines and other legal sanctions. We may also face regulatory uncertainties that could restrict our ability to adopt additional option plans for our directors and employees under PRC law. In addition, the State Administration for Taxation has issued certain circulars concerning employee share options. Under these circulars, our employees working in the PRC who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

Regulation on dividend distributions

The principal regulations governing the distribution of dividends paid by wholly foreign-owned enterprises include:

- *Company Law* (2005);
- *Wholly Foreign-Owned Enterprise Law* (1986), as amended in 2000; and
- *Wholly Foreign-Owned Enterprise Law Implementation Regulations* (1990), as amended in 2001.

Under these regulations, wholly foreign-owned enterprises in the PRC may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise in the PRC is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until its cumulative total reserve funds reaches 50% of its

registered capital. The board of directors of a wholly foreign-owned enterprise has the discretion to allocate a portion of its after tax profits to its employee welfare and bonus funds. These reserve funds, however, may not be distributed as cash dividends.

Regulation on overseas listings

On August 8, 2006, six PRC regulatory agencies, namely, the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, SAIC, CSRC and SAFE, jointly adopted *the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, or the M&A Rules, which became effective on September 8, 2006 and were amended on June 22, 2009. The M&A Rules purport, among other things, to require that offshore special purpose vehicles, or SPVs, that are controlled by PRC companies or individuals and that have been formed for overseas listing purposes through acquisitions of PRC domestic interest held by such PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange. On September 21, 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings. While the application of the M&A Rules remains unclear, our PRC legal counsel has advised us that based on its understanding of the current PRC laws, rules and regulations and the M&A Rules, prior approval from the CSRC is not required under the M&A Rules for the listing and trading of our ADSs on the NASDAQ Global Market given that (i) our PRC subsidiaries were directly established by us as wholly foreign-owned enterprises, and we have not acquired any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are our beneficial owners after the effective date of the M&A Rules, and (ii) no provision in the M&A Rules clearly classifies the contractual arrangements as a type of transaction subject to the M&A Rules.

However, our PRC legal counsel has further advised us uncertainties still exist as to how the M&A Rules will be interpreted and implemented and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. If CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations, limit our operating privileges, delay or restrict the repatriation of the proceeds from this offering into the PRC or payment or distribution of dividends by our PRC subsidiaries, or take other actions that could materially adversely affect our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if CSRC later requires that we obtain its approval for this offering, we may be unable to obtain a waiver of CSRC approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding CSRC approval requirements could have a material adverse effect on the trading price of our ADSs.

Management

Directors and executive officers

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

Directors and executive officers	Age	Position/title
Sean Shenglong Zou	42	Co-Founder, Chairman and Chief Executive Officer
Hao Cheng	38	Co-Founder, Director and General Manager of Xunlei Kankan and Games Business Unit
Qin Liu	41	Director
Quan Zhou	56	Director
Feng Hong	37	Director
Chuan Wang	44	Director
Hongjiang Zhang	53	Director
Peng Huang	47	Director and Chief Operating Officer
Jenny Wenjie Wu	39	Independent Director Appointee†
Yongfu Yu	38	Independent Director Appointee†
Tao Thomas Wu	48	Chief Financial Officer

† Each of Ms. Jenny Wenjie Wu and Mr. Yongfu Yu has accepted appointment as our independent director, effective upon the SEC's declaration of effectiveness of our registration statement on Form F-1, of which this prospectus is a part.

Mr. Sean Shenglong Zou is our co-founder and has been our chief executive officer and chairman since our inception in February 2005. Mr. Zou is an expert in distributed computing. Mr. Zou pioneered the theory of content-based multimedia indexing technology and resource discovery network that provides time-saving online experience for internet users and has led our company to revolutionize traditional internet acceleration by the technology and network. Mr. Zou received a master's degree in computer science from Duke University in the U.S. in 1998 and a bachelor's degree in computer science from University of Wisconsin-Madison in 1997.

Mr. Hao Cheng is our co-founder and has been our director since our inception in February 2005. Mr. Cheng is also currently the chief executive officer of Xunlei Games Development (Shenzhen) Co. Ltd. Prior to joining us, Mr. Cheng managed the products, services, marketing and sales of the corporate search team at Baidu, Inc. Mr. Cheng received a master's degree in computer science from Duke University in the U.S. in 1999 and a bachelor's degree in mathematics from Nankai University in China in 1997.

Mr. Qin Liu has been a director of our company since September 2005. Mr. Liu is a director of the controlling general partner of Morningside China TMT Fund I, L.P., Morningside China TMT Fund II, L.P., Morningside China TMT Fund III, L.P., Morningside China TMT Special Opportunity Fund, L.P. and Morningside China TMT Fund III Co-investment, L.P., which we refer to collectively as the Morningside Funds, and has been a director of Morningside Venture Capital Limited, the investment manager of the Morningside Funds. Mr. Liu has served as a director in YY Inc., a Nasdaq-listed company since June 2008, and also serves as director in several non-public portfolio companies of the fund. From 2000 through 2008, Mr. Liu worked at Morningside IT Management Services (Shanghai) Co., Ltd. and established its print media business and served as publisher of The Bund, an upscale lifestyle weekly publication. Mr. Liu

received a master's degree in business administration, or MBA, from China Europe International Business School in 1999 and a bachelor's degree in electrical engineering from Beijing Science & Technology University in 1993.

Mr. Quan Zhou has served as a director of our company since November 2006. Mr. Zhou is currently a managing member of the general partner of IDG Technology Venture Investments, L.P. and its successor funds. Mr. Zhou is also serving as a director of the general partner of each of IDG-Accel China Growth Fund I and IDG-Accel China Capital Fund, and their respective successor funds. He currently serves on the board of SouFun Holdings Limited, a NYSE-listed company, and a number of non-public portfolio companies. Mr. Zhou received a Ph.D degree in fiber optics from Rutgers University in 1989, a master's degree in chemical physics from the Chinese Academy of Sciences in 1985 and a bachelor's degree in chemistry from China Science and Technology University in 1982.

Mr. Feng Hong has been a director of our company since April 2014. Mr. Hong is a co-founder of Beijing Xiaomi Technology Company Limited, or Xiaomi Technology, and has been a vice president since its inception. From 2006 to 2010, Mr. Hong held various product and engineering management roles in Google. Prior to that, from 2001 to 2005, Mr. Hong worked at Siebel as a software engineer. Mr. Hong received his master's degree in computer science from Purdue University in 2001 and his bachelor's degree in computer science and engineering from Shanghai Jiao Tong University in China in 1999.

Mr. Chuan Wang has been a director of our company since March 2014. Mr. Wang is a co-founder of Xiaomi Technology, and the founder of Beijing Duokan Technology Co., Ltd., where he has served as its chief executive officer since its inception of business in 2010. Between 2005 and 2011, Mr. Wang was the general manager of Beijing Thunder Stone Century Technology Co., Ltd. Prior to that, Mr. Wang was the general manager of Beijing Thunder Stone Digital Technology Co., Ltd. since 1997. Mr. Wang received his bachelor of science degree from Beijing University of Technology in China in 1993.

Dr. Hongjiang Zhang has been our director since April 2014. Dr. Zhang currently serves as an executive director and the chief executive officer of Kingsoft Corporation Limited, which is listed on the Hong Kong Stock Exchange (Stock Code: 3888). Prior to joining Kingsoft Corporation Limited in October 2011, Dr. Zhang was the chief technology officer of Microsoft Asia-Pacific Research and Development Group and the managing director of the Microsoft Advanced Technology Center and a Distinguished Scientist. In his dual role, Dr. Zhang led Microsoft's research and development initiatives in China, including strategy and planning, research and development, as well as incubation of products, services and solutions. Dr. Zhang was also a member of the executive management committee of Microsoft (China) Limited. Dr. Zhang was the deputy managing director and a founding member of Microsoft Research Asia. Dr. Zhang has authored four books and over 400 scientific papers and holds approximately 200 US and international patents. Dr. Zhang received a Ph.D. in electrical engineering from the Technical University of Denmark in 1991, and a bachelor of science degree from Zhengzhou University, China, in 1982.

Mr. Peng Huang has been our chief operating officer since September 2013 and our director since April 2014. Mr. Huang joined us in 2009, and currently oversees our business operation and strategic cooperation. From 2006 to 2009, Mr. Peng worked as a general vice president for PPTV. From 1996 to 2001, Mr. Peng was the director of the Shanghai office of Shenzhen Huawei Technology Co., Ltd. and general manager of Shanghai Huawei Company. Mr. Huang

received a master's degree in communications and electronic system from the University of Electronic Science and Technology of China in 1992 and a bachelor's degree in wireless engineering from Northwestern Polytechnical University of China in 1987.

Jenny Wenjie Wu will serve as our independent director immediately upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Ms. Wu has been the chief strategy officer of Ctrip.com International, Ltd. or Ctrip, a Nasdaq-listed company, since November 2013. Prior to that, she served as Ctrip's chief financial officer between May 2012 and November 2013 and as a deputy chief financial officer between December 2011 and May 2012. Ms. Wu also serves as an independent director of Kingsoft Corporation Limited from March 2013. Prior to joining Ctrip, Ms. Wu was an equity research analyst covering China Internet and Media industries in Morgan Stanley Asia Limited and in Citigroup Global Markets Asia Limited from 2005 to 2011. Prior to that, Ms. Wu worked in the Department of Enterprises Operations and Management in China Merchants Holdings (International) Company Limited, a company listed on the Hong Kong Stock Exchange, from 2003 to 2005. Ms. Wu holds a Ph.D. degree in finance from the University of Hong Kong, a Master's degree in philosophy in finance from the Hong Kong University of Science and Technology, and both a Master's degree and a Bachelor's degree in economics from Nan Kai University, China. Ms. Wu is a Chartered Financial Analyst (CFA).

Mr. Yongfu Yu will serve as our independent director immediately upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Since the end of 2006, Mr. Yu has been the chief executive officer of UCWeb Inc., a provider of mobile internet software technology and services in China. From 2001 to 2006, Mr. Yu worked at Legend Capital, a venture capital investment fund, focusing on the TMT industry. He served as an investment manager between 2001 to 2004 and as a vice president between 2004 and 2006. Mr. Yu received his bachelor's degree in business management from the College of International Business, Nankai University in China in 1999.

Mr. Tao Thomas Wu has been our chief financial officer since November 2013. Prior to joining our company, Mr. Wu had served as the chief financial officer of Noah Holdings Limited, a U.S. listed company, since 2010. Prior to that, Mr. Wu spent nearly 20 years working in the financial services sector. Most recently, Mr. Wu was a senior portfolio manager with AllianceBerstein L.P. in the United States and a senior analyst with Moody's Investors Services in New York. Mr. Wu previously also worked in investment banks, primarily with JPMorgan Chase & Co. in New York and Singapore. Mr. Wu received his master's degree in public administration from Syracuse University in 1992 and his bachelor's degree in mathematics from Grinnell College in May 1987.

Employment agreements

We have entered into employment agreements with each of our senior executive officers. We may terminate a senior executive officer's employment for cause at any time by giving written notice for certain acts of the officer, including: (i) conviction of a felony or act of fraud, misappropriation or embezzlement; (ii) gross negligence or dishonest to the detriment of our company; and (iii) material breach of the employment agreement. We may also terminate a senior executive officer's employment upon at least two months' prior written notice. A senior executive officer may terminate his or her employment by giving two-months' or three-months' prior notice.

Each senior executive officer has agreed that he or she shall not, at any time during the period of employment or after the termination of the period of employment, except for the benefit of our company, use or disclose any confidential information to any person, corporation or other entity without our written consent. Upon termination of the employment or at any other time when requested by us, the officer should promptly deliver to our company all documents and materials of any nature pertaining to his or her work with us and should provide written certification of his or her compliance with the employment agreement. Under no circumstances can the officer, following his or her termination, in his or her possession any property of our company, or any documents or materials containing any confidential information. The officer should not, during the employment term, (i) improperly use or disclose any proprietary information or trade secrets of any former employer or other person or entity with which the officer has a duty to keep in confidence information acquired by such officer, if any, or (ii) bring into the premises of our company any document or confidential or proprietary information belonging to the former employer unless consented to in writing by such employer. The officer will indemnify us and hold us harmless from and against all claims, liabilities, damages and expenses.

Each officer also agrees that during the term of employment and within one year of termination of employment, he or she will not approach clients, customers or contacts of our company or other persons or entities introduced to such officer in the his/her capacity as a representative of our company for the purposes of doing business with such persons or entities which will harm the business relationship between our company and such persons or entities. Unless consented to by us, the officer should not assume employment with or provide services as a director or otherwise for any of our competitors, or engage in any competitor as a principal, partner, licensor or otherwise. The officer will not seek, directly or indirectly, by the offer of alternative employment or other inducement whatsoever, to solicit the services of any of our employees as at or after the date of the termination of such officer's employment, or in the year preceding such termination.

Board of directors

Our board of directors will consist of ten directors upon the completion of this offering. A director is not required to hold any shares in our company to qualify to serve as a director. All the powers of our company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures, debenture stock and other securities whenever money is borrowed or as a security for any debt, liability or obligation of our company or any third party, may only be carried out jointly by our chief executive officer and chief financial officer.

Committees of the board of directors

Prior to the completion of this offering, we intend to establish an audit committee, a compensation committee and a corporate governance and nominating committee under the board of directors. We intend to adopt a charter for each of the three committees prior to the completion of this offering. Each committee's members and functions are described below.

Audit committee. Our audit committee will consist of Ms. Jenny Wenjie Wu, Mr. Yongfu Yu and Mr. Sean Shenglong Zou, and will be chaired by Ms. Jenny Wenjie Wu. Our board of directors has determined that each of Ms. Jenny Wenjie Wu and Mr. Yongfu Yu satisfies the

"independence" requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended, and Rule 5605(a)(2) of the Nasdaq Listing Rules. The audit committee will oversee our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee will be responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any significant matters or difficulties encountered by the external auditors during the course of their audits and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing significant matters as to the adequacy of our internal controls and any special procedures adopted by the external auditors in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board.

Compensation committee. Our compensation committee will consist of Ms. Jenny Wenjie Wu, Mr. Yongfu Yu and Mr. Chuan Wang, and will be chaired by Mr. Chuan Wang. Our board of directors has determined that each of Ms. Jenny Wenjie Wu and Mr. Yongfu Yu satisfies the "independence" requirements of Rule 5605(a)(2) of the Nasdaq Listing Rules. The compensation committee will assist the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated upon. The compensation committee will be responsible for, among other things:

- reviewing the total compensation package for our three most senior executives and making recommendations to the board with respect to it;
- approving and overseeing the total compensation package for our executives other than the three most senior executives;
- reviewing the compensation of our directors and making recommendations to the board with respect to it; and
- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

Corporate governance and nominating committee. Our corporate governance and nominating committee will consist of Ms. Jenny Wenjie Wu, Mr. Yongfu Yu and Mr. Feng Hong, and will be chaired by Feng Hong. Our board of directors has determined that each of Ms. Jenny Wenjie

Wu and Mr. Yongfu Yu satisfies the "independence" requirements of Rule 5605(a)(2) of the Nasdaq Listing Rules. The corporate governance and nominating committee will assist the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee will be responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the corporate governance and nominating committee itself;
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Duties of directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. Our company may have the right to seek damages if a duty owed by our directors is breached. You should refer to "Description of share capital—Differences in corporate law" for additional information on our standard of corporate governance under Cayman Islands law.

Terms of directors and officers

Our directors may be elected by an ordinary resolution of our shareholders, or by the affirmative vote of a simple majority of our directors (which should include one non-independent director) present and voting at a meeting of our board of directors, and shall hold office until the expiration of his term and until his successor has been elected and qualified, or until such time as they are removed from office by ordinary resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically (1) if a simple majority of all directors determine at a duly called and constituted board meeting that such director has been guilty of actual fraud or willful neglect in performing his duties as a director, or (2) if a director is notified of, and fails to attend, an aggregate of three duly called and constituted board meetings within any 365-day period. In addition, the office of a director will be vacated if such director (a) dies, becomes bankrupt or makes any arrangement or composition with his creditors, (b) is found to be or becomes of unsound mind, or (c) resigns his office by notice in writing to us.

Our directors may appoint any person, whether or not a director of our company, to hold such office in our company as our directors may think necessary for the administration of our company, including a chief executive officer and chief financial officer, for such term as the directors think fit. Notwithstanding the foregoing, our chief executive officer may appoint any person, whether or not a director of our company, to hold such offices (other than chief executive officer or chief financial officer) as he may think necessary, including the office of one or more vice presidents, chief operating officer, chief technology officer, for such term and with such powers and duties as the chief executive officer may think fit. Our directors may also appoint one or more of our directors to the office of managing director, but any such appointment shall terminate if any managing director ceases for any cause to be a director, or if our shareholders by ordinary resolution resolve that his tenure of office be terminated.

Compensation of directors and executive officers

For the fiscal year ended December 31, 2013, we paid an aggregate of approximately US$0.4 million in cash to our executive officers, and we did not pay any cash compensation to our non-executive directors. In addition, we paid approximately US$15,000 to provide pension, housing funds and commercial insurance to our executive officers, and we did not set aside or accrued any amount to provide such benefits to our non-executive directors. For share incentive grants to our officers and directors under our share incentive plan, see "—Share incentive plans." For restricted share grants outside the share incentive plan, see "—Share Incentive Plans."

Share incentive plans

We have adopted (i) a 2010 share incentive plan in December 2010, or the 2010 Plan, (ii) a 2013 share incentive plan in November 2013, as supplemented, or the 2013 Plan and (iii) a 2014 share incentive plan in April 2014, as supplemented, or the 2014 Plan. The purpose of the plans is to attract and retain the best available personnel by linking the personal interests of the members of the board, employees, and consultants to the success of our business and by providing such individuals with an incentive for outstanding performance to generate superior returns for our shareholders.

2010 Plan

Under the 2010 Plan and the seventh amended and restated shareholders' agreement dated as of April 24, 2014, the maximum number of shares in respect of which options, restricted shares, or restricted share units that may be granted is 26,822,828 shares. As of the date of this prospectus, options to purchase an aggregate number of 21,374,267 common shares are outstanding.

The following paragraphs summarize the terms of the 2010 Plan.

Types of awards. The following briefly describe the principal features of the various awards that may be granted under the 2010 Plan.

- *Options.* Options provide for the right to purchase a specified number of our common shares at a specified price and usually will become exercisable in the discretion of our plan administrator in one or more installments after the grant date. The option exercise price may be paid, subject to the discretion of the plan administrator, in cash or by check, in our common shares which have been held by the option holder for such period of time as may

be required to avoid adverse accounting treatment, in other property with value equal to the exercise price, through a broker-assisted cashless exercise, or by any combination of the foregoing.

- *Restricted Shares.* A restricted share award is the grant of our common shares which are subject to certain restrictions and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator may also impose other restrictions on the restricted shares, such as limitations on the right to vote or the right to receive dividends.

- *Restricted Share Units.* Restricted share units represent the right to receive our common shares at a specified date in the future, subject to forfeiture of such right upon termination of employment or service during the applicable restriction period. If the restricted share units have not been forfeited, then we shall deliver to the holder unrestricted common shares that will be freely transferable after the last day of the restriction period as specified in the award agreement.

Plan administration. Before our shares are listed on a stock exchange, the 2010 Plan shall be administered by our board of directors. After our shares are listed on a stock exchange, the 2010 Plan shall be administered by our board of directors or the compensation committee of the board of directors (or a similar body) formed in accordance with applicable exchange rules. The plan administrator will determine the provisions and terms and conditions of each grant.

Award agreement. Options, restricted shares, or restricted share units granted under the 2010 Plan are evidenced by an award agreement that sets forth the terms, conditions, and limitations for each grant.

Option exercise price. The exercise price subject to an option shall be determined by the plan administrators which may be a fixed or variable price related to the fair market value of the subject of the grant. The exercise price may be amended or adjusted in the absolute discretion of the plan administrators, the determination of which shall be final, binding and conclusive. To the extent not prohibited by applicable laws or the rules of any exchange on which our securities are listed, a downward adjustment of the exercise prices of options shall be effective without the approval of the shareholders or the approval of the affected participants.

Eligibility. We may grant awards to our employees, consultants and all members of our board of directors, as determined by the board of directors.

Term of the awards. The term of each option grant shall be stated in the award agreement, provided that the term shall not exceed 10 years from the date of the grant. As for the restricted shares and restricted share units, the plan administrator shall determine and specify the period of restriction in the award agreement.

Vesting schedule. In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement. The administrator, in its discretion, may accelerate the vesting schedule of an award.

Transfer restrictions. Except as otherwise provided by the plan administrators, no option award shall be assigned, transferred, or otherwise disposed of other than by will or the laws of descent and distribution.

Termination. Unless terminated earlier, the 2010 Plan will expire automatically in December 2020. With the approval of our board of directors, the plan administrators may, at any time and from time to time, terminate, amend or modify the 2010 Plan. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval to the extent necessary to comply with applicable law.

The following table summarizes, as of the date of this prospectus, the outstanding options granted to our executive officers, directors, and other individuals as a group under our 2010 Plan.

Name	Common shares underlying options awarded	Exercise price (US$/share)	Date of grant	Date of expiration
Peng Huang	*	2.40	June 3, 2009	June 2, 2016
Tao Thomas Wu	*	2.11	November 18, 2013	November 17, 2020
Other Individuals as a Group[(1)]	20,832,506			
Total	21,374,267			

* Less than one percent of our total outstanding share capital.

(1) As of the date of this prospectus, the outstanding options held by other individuals as a group had exercise prices ranging from US$0.01 to US$3.97. These options were granted on various dates from April 1, 2003 through March 6, 2014. Each option that was granted before January 1, 2007 will expire after ten years from the date of grant. Each option that was granted after January 1, 2007 will expire after seven years from the date of grant.

2013 Plan

Under the 2013 Plan, the maximum number of share awards that may be granted is 9,073,732 restricted shares, which have been issued to Leading Advice Holdings Limited, or Leading Advice, for the purposes of administrating the awards according to the 2013 Plan. As of the date of this prospectus, 7,457,318 restricted shares (excluding those forfeited) have been granted to certain executive officers under the 2013 Plan.

The following paragraphs summarize the terms of the 2013 Plan.

Plan administration. Before our shares are listed on a stock exchange, the 2013 Plan shall be administered by Leading Advice Holdings Limited or its designee. Leading Advice currently acts as an agent on behalf us to administer the 2013 Plan based on the instructions from us. Upon completion of this offering, the 2013 Plan will be administered by our board of directors or the compensation committee of the board of directors (or a similar body) formed in accordance with applicable exchange rules. The administrator will determine the grantees under the 2013 Plan.

Award agreement. Each award of restricted shares is evidenced by an award agreement that specifies the number of restricted shares so granted, the vesting schedule, the applicable provisions in the event the grantee's employment or service terminates, and such other terms and conditions that the administrator shall determine in its sole discretion.

Eligibility. The restricted shares may be granted to members of our senior management, consisting of our chief operating officer, chief technical officer, vice presidents, or their equivalents, and counsel or consultant to our company.

Vesting schedule. Each grant of restricted shares will be subject to a vesting schedule determined solely by the administrator. Once vested, the restricted shares will no longer be subject to forfeiture and other restrictions contained in the award agreement, unless otherwise specified therein.

Shareholder rights. Grantees of restricted shares will not be entitled to any shareholder rights (including the right to dividends) on unvested portions of the restricted shares. They will be entitled to dividends on the vested portions of the restricted shares. The administrator will hold all vested portions of share awards for the benefit of the grantees and exercise the voting rights with respect of those shares. Currently, Leading Advice exercises the voting power on behalf of the grantees regarding their vested restricted shares and it will solicit voting instruction from each grantee and vote in accordance with such instruction.

Forfeiture or repurchase of the awards. In the event that the award recipient ceases employment with us or ceases to provide services to us during the applicable restriction period, restricted shares that are at that time subject to restrictions shall be forfeited or repurchased in accordance with the award agreement, unless otherwise waived in whole or in part by the administrator.

Acceleration. The administrator may accelerate the time at which any restrictions shall lapse or be removed, including the authority to accelerate vesting upon this offering.

Transfer restrictions. Except as otherwise provided by the plan administrators or the applicable shareholders agreement, no share award shall be assigned, transferred, or otherwise disposed of other than by will or the laws of descent and distribution.

Termination. Unless terminated earlier, the 2013 Plan will expire automatically in November 2023. With the approval of our board of directors, the plan administrators may, at any time and from time to time, terminate, amend or modify the 2013 Plan. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval to the extent necessary to comply with applicable law.

2014 Plan

Under the 2014 Plan, the maximum number of share awards that may be granted is 14,195,412 restricted shares, which are currently registered under the name of Leading Advice Holdings Limited for the purposes of administrating the awards according to the 2014 Plan. We have not granted any award under the 2014 Plan as of the date of this prospectus.

The following paragraphs summarize the terms of the 2014 Plan.

Plan administration. Before our shares are listed on a stock exchange, the 2014 Plan shall be administered by Leading Advice Holdings Limited or its designee. Leading Advice currently acts as an agent on behalf us to administer the 2014 Plan based on the instructions from us. Upon completion of this offering, the 2014 Plan will be administered by our board of directors or the compensation committee of the board of directors (or a similar body) formed in accordance with applicable exchange rules. The administrator will determine the grantees under the 2014 Plan.

Award agreement. Each award of restricted shares is evidenced by an award agreement that specifies the number of restricted shares so granted, the vesting schedule, the applicable

provisions in the event the grantee's employment or service terminates, and such other terms and conditions that the administrator shall determine in its sole discretion.

Eligibility. The restricted shares may be granted to members of our directors, senior management, employees, advisors and consultants of our company.

Vesting schedule. Each grant of restricted shares will be subject to a vesting schedule determined solely by the administrator. Once vested, the restricted shares will no longer be subject to forfeiture and other restrictions contained in the award agreement, unless otherwise specified therein.

Shareholder rights. Grantees of restricted shares will not be entitled to any shareholder rights (including the right to dividends) on unvested portions of the restricted shares. They will be entitled to dividends on the vested portions of the restricted shares. The administrator will hold all vested portions of share awards for the benefit of the grantees and exercise the voting rights with respect of those shares. Currently, Leading Advice exercises the voting power on behalf of the grantees regarding their vested restricted shares and it will solicit voting instruction from each grantee and vote in accordance with such instruction.

Forfeiture or repurchase of the awards. In the event that the award recipient ceases employment with us or ceases to provide services to us during the applicable restriction period, restricted shares that are at that time subject to restrictions shall be forfeited or repurchased in accordance with the award agreement, unless otherwise waived in whole or in part by the administrator.

Acceleration. The administrator may accelerate the time at which any restrictions shall lapse or be removed, including the authority to accelerate vesting upon this offering.

Transfer restrictions. Except as otherwise provided by the plan administrators or the applicable shareholders agreement, no share award shall be assigned, transferred, or otherwise disposed of other than by will or the laws of descent and distribution.

Termination. Unless terminated earlier, the 2014 Plan will expire automatically in April 2024. With the approval of our board of directors, the plan administrators may, at any time and from time to time, terminate, amend or modify the 2014 Plan. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval to the extent necessary to comply with applicable law.

The following table summarizes, as of the date of this prospectus, the number of restricted shares granted to our officers and other individuals as a group pursuant to our 2013 Plan. We have not granted any award under our 2014 Plan as of the date of this prospectus.

Name	Number of restricted shares granted	Date of grant
Peng Huang	*	November 18, 2013
Tao Thomas Wu	*	November 18, 2013
Other Individuals as a Group	4,039,700	
Total	7,457,318	

* Less than one percent of our total outstanding share capital.

Principal shareholders

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our common shares as of the date of this prospectus and the voting power after this offering held by:

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

The calculations in the table below assume as of the date of this prospectus, there are 70,051,879 issued common shares, of which an aggregate of 23,089,144 common shares (excluding 180,000 restricted shares that have vested and are deemed outstanding) that have been issued to Leading Advice Holdings Limited for grants under our 2013 plan and 2014 Plan are not deemed outstanding for the purpose of calculating the beneficial ownership in the table below. The calculations also assume 210,814,306 preferred shares outstanding as of the date of this prospectus prior to completion of this offering, and 310,337,180 common shares, including 263,374,445 common shares into which all of our outstanding preferred shares will automatically convert upon completion of this offering, and 36,575,000 common shares underlying 7,315,000 ADSs that are being sold in this offering to the underwriters, assuming the underwriters do not exercise their option to purchase additional ADSs.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant, or other right or the

conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Common shares beneficially owned prior to this offering[1]		Common shares beneficially owned after this offering[2]	
	Number	%	Number	%
Directors and executive officers:**				
Sean Shenglong Zou[3]	32,814,606	12.6	32,814,606	9.5
Hao Cheng[4]	13,133,952	5.0	13,133,952	3.8
Qin Liu[5]	3,548,853	1.4	5,000,000	1.4
Quan Zhou[6]	25,198,773	9.7	26,649,920	7.7
Feng Hong[7]	—	—	—	—
Chuan Wang[8]	—	—	—	—
Hongjiang Zhang[9]	—	—	—	—
Peng Huang	*	*	*	*
Jenny Wenjie Wu[10]	—	—	—	—
Yongfu Yu[11]	—	—	—	—
Tao Thomas Wu	*	*	*	*
All directors and executive officers as a group	75,245,065	28.8	78,147,359	22.5
Principal shareholders:				
Xiaomi Ventures Limited[12]	70,977,058	27.2	100,000,000	28.8
Morningside Technology Investments Limited[13]	37,787,909	14.5	37,787,909	10.9
Vantage Point Global Limited[14]	32,814,606	12.6	32,814,606	9.5
King Venture Holdings Limited[15]	31,939,676	12.2	45,000,000	13.0
IDG Funds[16]	25,198,773	9.7	26,649,920	7.7
Ceyuan Funds[17]	14,155,917	5.4	14,155,917	4.1
Skyline Global Company Holdings Limited[18]	15,022,023	5.7	18,887,981	5.4
Aiden & Jasmine Limited[19]	13,133,952	5.0	13,133,952	3.8

Notes:

* Less than 1%.

** The business address of Messrs. Shenglong Zou, Hao Cheng, Peng Huang and Tao Thomas Wu is 4/F, Hans Innovation Mansion, North Ring Road, No. 9018 High-Tech Park, Nanshan District, Shenzhen, 518057, People's Republic of China.

(1) The number of common shares outstanding in calculating the percentages for each listed person or group includes the common shares underlying any options, restricted shares and warrants held by such person or group exercisable within 60 days of the date of this prospectus. Percentage of beneficial ownership of each listed person or group prior to this offering is based on (i) 260,937,736 common shares outstanding as of the date of this prospectus, including 213,975,001 common shares convertible from our preferred shares, and (ii) the number of common shares underlying options, restricted shares and warrants exercisable by such person or group within 60 days of the date of this prospectus.

(2) For each person and group included in this column, percentage ownership is calculated by dividing the number of common shares beneficially owned by such person or group, including shares that such person or group has the right to acquire within 60 days of the date of this prospectus, by 346,912,180, being the sum of the total number of common shares outstanding immediately after the completion of this offering, and the number of common shares underlying share options, restricted shares and warrants held by such person or group that are exercisable within 60 days of the date of this prospectus.

(3) Represents 32,814,606 common shares held by Vantage Point Global Limited, a British Virgin Islands company which is 100% beneficially owned by Mr. Sean Shenglong Zou through a family trust.

(4) Represents 13,133,952 common shares held by Aiden & Jasmine Limited, a British Virgin Islands company which is 100% beneficially owned by Mr. Hao Cheng through a family trust.

(5) Represents (i) 3,548,853 common shares issuable upon the conversion of (a) 3,233,399 series E preferred shares held by Morningside China TMT Special Opportunity Fund, L.P., (b) 315,454 series E preferred shares held by Morningside China TMT Fund III Co-Investment, L.P., and (ii) a total of an additional 1,451,147 common shares that will be issued to Morningside China TMT Special Opportunity Fund, L.P. and Morningside China TMT Fund III Co-Investment, L.P. due to the trigger of anti-dilution rights by this initial public offering, assuming the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus. Morningside China TMT Special Opportunity Fund, L.P. and Morningside China TMT

Fund III Co-Investment, L.P. are controlled by Morningside China TMT GP III, L.P., their general partner. Morningside China TMT GP III, L.P. is in turn controlled by TMT General Partner Ltd., its general partner. Mr. Qin Liu is one of the directors of TMT General Partner Ltd. The business address of Mr. Liu is 22/F Hang Lung Centre, 2-20 Paterson Street, Causeway Bay, Hong Kong.

(6) Represents (i) 25,198,773 common shares issuable upon conversion of (a) 18,120,000 series A preferred shares held by IDG Technology Venture Investment III, L.P., (b) 1,515,416 series B preferred shares held by IDG Technology Venture Investment III, L.P., (c) 2,014,504 series B preferred shares held by IDG Technology Venture Investment IV, L.P., and (d) 3,548,853 series E preferred shares held by IDG Technology Venture Investment V, L.P., and (ii) an additional 1,451,147 common shares that will be issued to IDG Technology Venture Investment V, L.P. due to the trigger of an anti-dilution right by this initial public offering, assuming the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus. We refer to IDG Technology Venture Investment III, L.P., IDG Technology Venture Investment IV, L.P. and IDG Technology Venture Investment V, L.P., collectively as IDG Funds. IDG Technology Venture Investment III, L.P. is a limited partnership with IDG Technology Venture Investment III, LLC as its sole general partner. IDG Technology Venture Investment III, LLC is controlled by Mr. Quan Zhou and Mr. Chi Sing Ho, its two managing members. IDG Technology Venture Investment IV, L.P. is a limited partnership with IDG Technology Venture Investment IV, LLC as its sole general partner. IDG Technology Venture Investment IV, LLC is controlled by Mr. Quan Zhou and Mr. Chi Sing Ho, its two managing members. IDG Technology Venture Investment V, L.P. is a limited partnership with IDG Technology Venture Investment V, LLC as its sole general partner. IDG Technology Venture Investment V, LLC is a Delaware limited liability company controlled by Mr. Quan Zhou and Mr. Chi Sing Ho, its two managing members. The business address of Mr. Zhou is c/o IDG Capital Partners, 6/F, COFCO Plaza, No. 8 Jianguomennei Avenue, Beijing 100005, China.

(7) The business address of Mr. Hong is 68 Qinghe Middle Street WuCaiCheng Office Building, 12th floor, Haidian District, Beijing, China.

(8) The business address of Mr. Wang is 68 Qinghe Middle Street WuCaiCheng Office Building, 12th floor, Haidian District, Beijing, China.

(9) The business address of Dr. Hongjiang Zhang is Kingsoft Tower, No.33 Xiaoying West Road, Haidian District, Beijing, China.

(10) The business address of Ms. Wu is No. 99, Fuquan Road, Shanghai, China.

(11) The business address of Mr. Yu is F12, Tower A, U-Center, No. 28 Chengfu Road, Haidian District, Bejing 100083, China.

(12) Represents (i) 70,977,058 common shares issuable upon conversion of 70,977,058 series E preferred shares held by Xiaomi Ventures Limited, and (ii) an additional 29,022,942 common shares that will be issued to Xiaomi Ventures Limited due to the trigger of an anti-dilution right by this initial public offering, assuming the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus. Xiaomi Ventures Limited is wholly owned by Xiaomi Corporation, a limited liability company organized under the laws of the Cayman Islands. The business address of Xiaomi Ventures Limited is 68 Qinghe Middle Street WuCaiCheng Office Building, 12th Floor, Haidian District, Beijing, People's Republic of China.

(13) Represents 37,787,909 common shares issuable upon conversion of 34,757,081 series A-1 preferred shares and 3,030,828 series B preferred shares held by Morningside Technology Investments Limited, a company incorporated in British Virgin Islands. Morningside Technology Investments Limited is ultimately indirectly held under a trust for the benefit of Madam Chan Tan Ching Fen. The address of Morningside Technology Investments Limited is 2/F, Le Prince de Galles, 3-5 Avenue des Citronniers MC 98000.

(14) Represents 32,814,606 common shares held by Vantage Point Global Limited, a British Virgin Islands company which is 100% beneficially owned by Mr. Sean Shenglong Zou through a family trust. The registered address of Vantage Point Global Limited is P.O. Box 438, Palm Grove House, Road Town, Tortola, British Virgin Islands.

(15) Represents (i) 31,939,676 common shares issuable upon the conversion of 31,939,676 series E preferred shares held by King Venture Holdings Limited, and (ii) an additional 13,060,324 common shares that will be issued to King Venture Holdings Limited due to the trigger of an anti-dilution right by this initial public offering, assuming the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus. King Venture Holdings Limited is an exempted company incorporated under the laws of the Cayman Islands, and is wholly owned by Kingsoft Corporation Limited, a Cayman Islands company with its shares listed on the Hong Kong Stock Exchange (Stock Code: 3888). The business address of King Venture Holdings Limited is Kingsoft Tower, No.33 Xiaoying West Road, Haidian District, Beijing, China.

(16) Represents (i) 25,198,773 common shares issuable upon conversion of (a) 18,120,000 series A preferred shares and held by IDG Technology Venture Investment III, L.P., (b) 1,515,416 series B preferred shares held by IDG Technology Venture Investment III, L.P., (c) 2,014,504 series B preferred shares held by IDG Technology Venture Investment IV, L.P., and (d) 3,548,853 series E preferred shares held by IDG Technology Venture Investment V, L.P., and (ii) an additional 1,451,147 common shares that will be issued to IDG Technology Venture Investment V, L.P. due to the trigger of an anti-dilution right by this initial public offering, assuming the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus. IDG Technology Venture Investment III, L.P. is a limited partnership with IDG Technology Venture Investment III, LLC as its sole general partner. IDG Technology Venture Investment III, LLC is controlled by Mr. Quan Zhou and Mr. Chi Sing Ho, its two managing members. IDG Technology Venture Investment IV, L.P. is a limited partnership with IDG Technology Venture Investment IV, LLC as its sole general partner. IDG Technology Venture Investment IV, LLC is controlled by Mr. Quan Zhou and Mr. Chi Sing Ho, its two managing members. IDG Technology Venture Investment V, L.P. is a limited partnership with IDG Technology Venture Investment V, LLC as its sole general partner. The sole general partner is a Delaware limited liability company controlled by Mr. Quan Zhou and Mr. Chi Sing Ho, its two managing members. The registered address of the IDG Funds is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, United States.

(17) Represents 14,155,917 common shares issuable upon conversion of (i) 13,561,368 series B preferred shares held by Ceyuan Ventures I, L.P. and (ii) 594,549 series B preferred shares held by Ceyuan Ventures Advisors Fund, LLC. The general partner of Ceyuan Ventures I, L.P. and the sole director of Ceyuan Ventures Advisors Fund, LLC is Ceyuan Ventures Management, LLC, a company incorporated in the Cayman Islands. Yanxi Holding Co., Ltd., Ceyuan Partners, Mr. Weiguo Zhao, Mr. John S. Wadsworth Jr., Mr. Bo Feng, Mr. Fisher Zhang, Heidi Van Horn Trust and NewMargin Fund Management Company Limited collectively hold 100% shares of Ceyuan Ventures Management, LLC. Mr. Ye Yuan has the sole voting and dispositive power over the shares held by Yanxi Holding Co., Ltd., Mr. Tao Feng has the sole voting and dispositive power over the shares held by NewMargin Fund Management Company Limited, and Mr. Christopher Wadsworth has the sole voting and dispositive power over shares held by Ceyuan Partners. The director of Ceyuan Ventures Management, LLC is Mr. Bo Feng. The registered address of Ceyuan Funds is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(18) Represents (i) 834,177 common shares, (ii) common shares issuable upon conversion of (a) 48,319 series A preferred shares, (b) 1,051,468 series A-1 preferred shares, (c) 1,289,310 series B preferred shares, (d) 8,391,850 series D preferred shares, as adjusted, and (e) 3,406,899 series E preferred shares issuable upon exercise of warrants held by Skyline Global Company Holdings Limited, and (iii) an additional 3,865,958 common shares that will be issued to Skyline Global Company Holdings Limited due to the trigger of anti-dilution rights by this initial public offering, assuming the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus. Skyline Global Company Holdings Limited is 100% beneficially owned by Primavera Capital (Cayman) Fund I, L.P., which is controlled by its sole general partner, Primavera Capital (Cayman) GP1 L.P., a limited partnership organized under the laws of the Cayman Islands, which is in turn controlled by its sole general partner, Primavera (Cayman) GP1 Ltd ("PV GP1 Ltd"), an exempted company with limited liability incorporated under the laws of the Cayman Islands. Mr. Fred Zuliu Hu is the controlling shareholder of PV GP1 Ltd. The business address of Skyline Global Company Holdings Limited is 28/F, 28 Hennessy Road, Wanchai, Hong Kong.

(19) Represents 13,133,952 common shares currently held by Aiden & Jasmine Limited, a British Virgin Islands company which is 100% beneficially owned by Mr. Hao Cheng through a family trust. The business address of Aiden & Jasmine Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

As of the date of this prospectus, none of our outstanding common shares are held by record holders in the United States, a total of 29,745,017 preferred shares are held by four record holders in the United States; the total number of shares held by our preferred shareholders represent 11.4% of our total outstanding shares on an as-converted basis. None of our shareholders has informed us that he or she is affiliated with a registered broker-dealer or is in the business of underwriting securities. Except in connection with the reclassification of our common shares, we are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. See "Description of share capital—History of securities issuances" for a description of issuances of our common shares and preferred shares that have resulted in significant changes in ownership held by our major shareholders.

Related party transactions

Contractual arrangements with our PRC variable interest entities and their shareholders

Due to current legal restrictions on foreign ownership and investment in value-added telecommunications services in China, we conduct our operations in China principally through a series of contractual arrangements with our variable interest entities and their shareholders in China. For a description of these contractual arrangements, see "Corporate history and structure."

Private Placements

See "Description of share capital—History of securities Issuances."

In relation to our series E preferred shares financing, Xiaomi Ventures has agreed to subscribe for up to US$50 million of ADSs in this offering, subject to the discretion of Xunlei Limited and the lead underwriters as to the amount of ADSs that Xiaomi Ventures will get in this offering, if any, provided that the ADSs subscribed by Xiaomi Ventures will not account for more than 30% the total ADSs being offered and sold in the offering. In the event that the lead underwriters allocate any number of ADSs to Xiaomi Ventures with a total purchase price of no greater than US$50 million within 30% of the total number of ADSs being offered and sold in this offering, Xiaomi Ventures will be obligated to purchase such ADSs at the initial public offering price no later than at the completion of this offering.

Within three months after the closing of the first tranche of series E preferred shares financing, Our co-founders and Mr. Peng Huang together with another officer have the right to purchase, or designate any third party to purchase, certain number of restricted shares of Xiaomi Corporation, the parent company of Xiaomi Ventures, under its equity incentive plan, with a total subscription consideration of not more than US$20 million, at a subscription price per share that reflects the valuation of Xiaomi Corporation being US$10 billion. As of the date of this prospectus, these individuals have not exercised their rights.

Repurchase of shares from existing shareholders

In April 2014, we repurchased shares from several existing shareholders. See "Description of share capital—History of securities Issuances."

Shareholders agreement

See "Description of share capital—Shareholders agreement."

Employment agreements

See "Management—Employment agreements."

Share incentives

See "Management—Share incentive plans."

In relation to our 2013 Plan and 2014 Plan, we have appointed Leading Advice Holdings Limited, or Leading Advice, as the administer of both plans before the completion of this offering. On behalf of us, Leading Advice executes actions based on our instruction to select the eligible grantees, to determine the number of awards and the conditions and provision of such awards, including but not limited to the vesting schedule and acceleration of the awards.

Leading Advice is not entitled to the following rights in relation to the shares registered under its name: (i) dividends, (ii) voting powers prior to vesting of relevant shares and (ii) transfer of the unvested portion of the awards or awards that have not been granted. In addition, upon the liquidation or the dissolution of Leading Advice or the expiration of the relevant plan, common shares not granted as awards shall be transferred back to us at no consideration. Shares not granted upon the closing of this offering will continue to be held by Leading Advice on behalf of us.

For the awards that have been granted and become vested, Leading Advice will solicit voting instructions from each grantee, and vote in accordance with such instructions. The grantees will be entitled to dividends and have the right to request Leading Advice to transfer vested awards to a transferee designated by the grantees.

Before the completion of this offering, we will have a right of first refusal with respect to any proposed transfer of vested restricted shares. After the completion of this offering, vested restricted shares may not be sold or transferred for a period of at least six months or a period of time as determined by the underwriter.

Advances extended to certain directors

We extended advances amounting to an aggregate of US$85,000 to Mr. Hao Cheng in 2013. These advances were used for general business purposes. As of the date of this prospectus, all the advances have been paid off.

All the advances to Mr. Hao Cheng were unsecured, interest-free and have no repayment terms.

Game sharing arrangement with Zhuhai Qianyou Technology, Co., Ltd.

In November 2011, we obtained an exclusive game operation right from Zhuhai Qianyou Technology, Co., Ltd., or Zhuhai Qianyou, our equity investee, which is specialized in developing online games. According to the agreement in relation to such game operation right that we entered into with Zhuhai Qianyou, we need to share revenues derived by the licensed games with Zhuhai Qianyou. In the years ended December 31, 2012 and 2013 and in the three months ended March 31, 2014, game sharing cost paid and payable to Zhuhai Qianyou was US$1.0 million, US$1.8 million and US$0.2 million, respectively. As of December 31, 2012 and 2013 and March 31, 2014, we had amounts of US$0.3 million, US$0.2 million and US$0.2 million, respectively, due to Zhuhai Qianyou.

Intellectual property framework agreement between Shenzhen Xunlei and Xunlei Computer

On December 24, 2013, Shenzhen Xunlei and Xunlei Computer entered into a technology development and software license framework agreement. The term of the agreement is two years from the date of its execution.

Under this framework agreement, Xunlei Computer provides Shenzhen Xunlei with technology development services according to Shenzhen Xunlei's business needs. Any new intellectual property resulting from the technology development services is owned by Xunlei Computer, and cannot be substituted or sub-licensed to any third party by Shenzhen Xunlei without the prior written consent of Xunlei Computer. During the term of the framework agreement, with respect to each technology development project, Shenzhen Xunlei and Xunlei Computer will separately sign technology development (services) agreements, which set out the specific terms and amount of consideration, all subject to the terms of the framework agreement.

In addition, under the framework agreement, Xunlei Computer grants Shenzhen Xunlei a non-exclusive and limited right to use certain specified proprietary software that Xunlei Computer owns. With respect to the licensing of each software, Shenzhen Xunlei and Xunlei Computer will separately sign software licensing agreements, which will set out the specific terms and the amount of licensing fee, all subject to the terms of the framework agreement.

In relation to cooperation under the framework agreement, Xunlei Computer and Shenzhen Xunlei entered into four agreements in 2013 for Xunlei Computer's technology development services and its software license and Giganology Shenzhen has agreed to the execution of these agreements and the relevant services and licenses between Xunlei Computer and Shenzhen Xunlei.

As of the date of this prospectus, the aggregate amount of the fees that have been incurred by Shenzhen Xunlei for the technology development services and the software license provided by Xunlei Computer under the framework agreement is approximately RMB100 million (US$16.0 million).

Pre-installing Services Agreements with Xiaomi

Cooperation Framework Agreement On August 1, 2013, we entered into a Cooperation Framework Agreement, or the Framework Agreement, with Xiaomi Technology to arrange for the pre-installation of our Xunlei Accelerator onto Xiaomi's set-top boxes. The Framework Agreement has a term of three years and there is no fee charged for such cooperation.

Xunlei Accelerator Mobile Pre-installing Services Agreement On December 1, 2013, we entered into a Xunlei Accelerator Mobile Pre-installing Services Agreement, or the Pre-installing Services Agreement, with Beijing Xiaomi Mobile Software Company Limited, a Xiaomi group company. Through such cooperation, Xiaomi phones will be pre-installed with our mobile acceleration applications and Xiaomi phone users will have access to our acceleration services. The Pre-installing Services Agreement has a term of one year and there is no fee charged for the pre-installation. We have entered into other pre-installing agreements with other unrelated parties at no charge. As of the date of this prospectus, we have not installed our mobile acceleration applications onto any of Xiaomi phones.

In the first quarter of 2014, we received sales orders from Xiaomi Technology to provide online advertising services on our website. Our total advertising revenue from the orders was US$0.6 million. As of March 31, 2014, we had an amount of US$0.6 million receivable from Xiaomi Technology.

Description of share capital

We are a Cayman Islands company and our affairs are governed by our memorandum and articles of association, as amended and restated from time to time and the Companies Law (2013 Revision) of the Cayman Islands, which we refer to as the Companies Law below.

As of the date hereof, our authorized share capital is US$150,000 and consists of 351,981,289 common shares with a par value of US$0.00025 each and 248,018,711 preferred shares with a par value of US$0.00025 each, of which 26,416,560 preferred shares are designated as series A preferred shares, 36,400,000 preferred shares are designated as series A-1 preferred shares, 30,308,284 preferred shares are designated as Series B preferred shares, 5,728,264 preferred shares are designated as series C preferred shares, 18,000,000 preferred shares are designated as series D preferred shares and 131,165,603 preferred shares are designated as series E preferred shares. As of the date of this prospectus, 70,051,879 common shares, 25,939,380 series A preferred shares, 35,808,549 series A-1 preferred shares, 26,552,219 series B preferred shares, 5,728,264 series C preferred shares, 6,771,454 series D preferred shares and 110,014,440 series E preferred shares are issued and outstanding. All our issued and outstanding common shares and preferred shares are fully paid. Immediately upon the completion of this offering, there will be 346,912,180 common shares outstanding including a total of 263,374,445 common shares resulting from the automatic conversion of all of our outstanding preferred shares (assuming the underwriters do not exercise the over-allotment option).

On June 11, 2014, we adopted our eighth amended and restated memorandum of association and seventh amended and restated articles of association, or memorandum and articles of association, which will become effective upon the completion of this offering. The following are summaries of material provisions of our memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our common shares. This summary is not complete, and you should read the form of our memorandum and articles of association, which have been filed as exhibits to the registration statement of which this prospectus is a part.

Exempted company

We are an exempted company with limited liability under the Companies Law. The Companies Law distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company is not required to open its register of members for inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may in certain circumstances issue no par value, negotiable or bearer shares;

- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

Common shares

General. All of our outstanding common shares are fully paid. Certificates representing the common shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares. We will issue non-negotiable shares and may not issue bearer or negotiable shares.

Register of members

Under Cayman Islands law, we must keep a register of members and there shall be entered therein:

(a) the names and addresses of the members, a statement of the shares held by each member, and of the amount paid or agreed to be considered as paid, on the shares of each member;

(b) the date on which the name of any person was entered on the register as a member; and

(c) the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members shall be deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members. Upon the closing of this public offering, the register of members shall be updated promptly to reflect the issue of shares by us to whoever has subscribed to be a member in connection with this offering and will be updated upon subsequent transfers of our shares. Once the register of members of our company has been updated, the shareholders recorded in the register of members shall be deemed to have legal title to the shares set against their name. There is no requirement under Cayman Islands laws for the register of members to be filed with the Cayman Islands Companies Registrar.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Cayman Islands Grand Court for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

Dividends. The holders of our common shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally

available therefor, namely out of either profit or our share premium account, and provided further that a dividend may not be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting rights. Each common share is entitled to one vote on all matters upon which the common shares are entitled to vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one or more shareholders present in person or by proxy entitled to vote and who together hold not less than 10 percent of our paid up voting share capital.

A quorum required for a meeting of shareholders consists of at least one shareholder present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, who hold in aggregate not less than fifty percent of the total voting power of the company. Shareholders' meetings may be held annually and may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding in aggregate at least one-third of the total voting power of the company. Advance notice of at least seven calendar days is required for the convening of shareholders' meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the common shares cast in a general meeting, while a special resolution requires the affirmative vote of at least two-thirds of the votes attaching to the common shares cast in a general meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Law and our memorandum and articles of association. A special resolution is required for important matters such as a change of name or making changes to our memorandum and articles of association. Holders of the common shares may effect certain changes by ordinary resolution, including increasing the amount of our authorized share capital, consolidating all or any of our share capital and dividing all or any of our share capital into shares of larger amount than our existing shares, and cancelling any authorized but unissued shares.

Transfer of shares. Subject to the restrictions set out in our memorandum and articles of association, our shareholders may transfer all or any of their common shares by an instrument of transfer in writing and executed by or on behalf of the transferor (and if our directors so require, signed by the transferee). Our directors may also accept mechanically executed transfers.

Our board may decline to register any transfer of any common share which is not fully paid up or on which we have a lien. Our board may also decline to register any transfer of any share unless (a) the instrument of transfer is lodged with us, accompanied by the certificate for the common shares to which it relates and such other evidence as our board may reasonably require to show the right of the transferor to make the transfer; (b) the shares transferred are free of any lien in favor of us; and (c) a fee of such maximum sum as the NASDAQ Global Market may determine to be payable, or such lesser sum as our board may from time to time require, is paid to us in respect thereof.

If our board of directors refuses to register a transfer it shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal. The registration of transfers may be suspended on 14 days' notice being given by advertisement in such one or more newspapers or by electronic means

and the register closed at such times and for such periods as our board may from time to time determine.

Liquidation. On a return of capital on winding up, assets available for distribution shall be distributed among the holders of common shares on a pro rata basis. If our assets available for distribution are insufficient to pay all of the paid up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately. We are a "limited liability" company formed under the Companies Law, and under the Companies Law, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our memorandum of association contains a declaration that the liability of our members is so limited.

Calls on shares and forfeiture of shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 calendar days prior to the specified time and place of payment. Shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors. Our company may also repurchase any of our shares (including redeemable shares) provided that our shareholders shall have approved the manner of purchase by ordinary resolution unless (i) if the number of shares being purchased is less than 3% of the issued shares of our company, then we may purchase our own shares in such manner our board of directors may, by a simple majority of the entire board of directors (which must include one non-independent director), approve and on such terms as our board of directors may agree with the relevant shareholder, and (ii) if the number of shares being purchased is more than 3% but less than 5% of the issued shares of our company, then we may purchase our own shares in such manner our board of directors may, by a majority of two-thirds of our entire board of directors (which must include one non-independent director), approve and on such terms as our board of directors may agree with the relevant shareholder. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of rights of shares. If at any time, our share capital is divided into different classes or series of shares, all or any of the rights attached to any class or series of shares may be varied or abrogated either with the written consent of the holders of a majority of the issued shares of that class or series or with the sanction of an ordinary resolution passed at a general meeting of the holders of the shares of that class or series.

General Meetings of Shareholders and Shareholder Proposals. As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not

obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' annual general meetings and any other general meetings of our shareholders may be convened by a simple majority of our board of directors (which must include one non-independent director) or our chairman. Advance notice of at least seven calendar days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association allow our shareholders holding not less than one-third of the aggregate voting power of our company to requisition an extraordinary general meeting of our shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

No business can be transacted at any general meeting unless a quorum of shareholders is present at the time when the meeting proceeds to business. One or more shareholders holding not less than an aggregate of fifty percent of the total voting power of our company in issue present in person or by proxy and entitled to vote shall be a quorum for all purposes.

Election and Removal of Directors. Our memorandum and articles of association provide that, unless otherwise determined by us in general meeting, our board will consist of not less than five directors (two of which must be non-independent directors). Directors may be elected by an ordinary resolution of our shareholders, or by the affirmative vote of a simple majority of our directors (which must include one non-independent director) present and voting at a meeting of our board of directors, and shall hold office until the expiration of his term and until his successor has been elected and qualified. There are no provisions relating to retirement of directors upon reaching any age limit.

A director may be removed from office by ordinary resolution at any time before the expiration of his term. A director shall be automatically and immediately removed from office if (i) he is notified of, and fails to attend, an aggregate of three duly called and constituted board meetings within any 365-day period or (ii) if a simple majority of all directors determine at a duly called and constituted board meeting that such director has been guilty of actual fraud or willful neglect in performing his duties as a director. In addition, the office of a director will be vacated if such director (a) dies, becomes bankrupt or makes any arrangement or composition with his creditors, (b) is found to be or becomes of unsound mind, or (c) resigns his office by notice in writing to us.

If (i) a director was or is affiliated with or was appointed to our board by a holder or a group of affiliated holders of common shares converted from our preferred shares prior to the completion of this offering, and (ii) such holder or holders cease to own in aggregate 5% or more of our total issued common shares, our board may request the director to resign from

the board and the director should resign from the board when a suitable director replacement candidate is identified by our board after a reasonable period of time.

Proceedings of Board of Directors. Our memorandum and articles of association provide that our business is to be managed and conducted by our board of directors. The quorum necessary for the board meeting may be fixed by the board and, unless so fixed at another number, will be a simple majority of the directors then in office (which should include a non-independent director).

Our directors may appoint any person, whether or not a director of our company, to hold such office in our company as our directors may think necessary for the administration of our company, including a chief executive officer and chief financial officer, for such term as the directors think fit. Notwithstanding the foregoing, our chief executive officer may appoint any person, whether or not a director of our company, to hold such offices (other than chief executive officer or chief financial officer) as he may think necessary, including the office of one or more vice presidents, chief operating officer, chief technology officer, for such term and with such powers and duties as the chief executive officer may think fit. Our directors may also appoint one or more of our directors to the office of managing director, but any such appointment shall terminate if any managing director ceases from any cause to be a director, or if our shareholders by ordinary resolution resolve that his tenure of office be terminated.

Our memorandum and articles of association provide that all the powers of our company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of our company or of any third party may only be carried out jointly by our chief executive officer and chief financial officer.

Inspection of books and records. Holders of our common shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we intend to provide our shareholders with annual audited financial statements. See "Where you can find additional information."

History of securities issuances

The following is a summary of our securities issuance during the past three years:

Option grants. We granted options to purchase our common shares to certain of our directors, executive officers and employees and consultants under our 2010 Plan, for their past and future services. For details, see "Management—Share incentive plans." In addition, we granted an option to purchase 4,205,100 common shares to each of our co-founders, Mr. Sean Shenglong Zou and Mr. Hao Cheng, in 2006 and issued the equivalent number of common shares to Vantage Point Global Limited, a British Virgin Islands company beneficially owned by Mr. Zou, and Aiden & Jasmine Limited, a British Virgin Islands company beneficially owned by Mr. Cheng, in April 2011 upon the founders' exercise of their fully vested options.

Share Split. On January 21, 2011, we effected a 4-for-1 share split. As a result of the share split, the par value of USD$0.001 per share was changed to USD$0.00025 per share. The share split has been retroactively reflected for all periods presented in this prospectus.

Repurchase of common shares. In April 2011, we repurchased 28,033,976 common shares from Aiden & Jasmine Limited and 28,033,976 common shares from Vantage Point Global Limited for

a consideration of the par value of $0.00025 per share. The repurchases were completed in order to cancel the total of 56,067,952 common shares that were held as treasury shares since September 2005 following the forfeiture of those shares from our two founders.

Series C preferred shares. In April 2011, we issued and sold 5,728,264 series C preferred shares to two series C investors, RW Investments LLC and CRP Holdings Limited, for a total consideration of US$30.0 million, which were paid in full.

Series D preferred shares and warrants to purchase series D preferred shares. In February and March 2012, we issued and sold 9,310,749 and 1,269,648 series D preferred shares, respectively, to Skyline Global Company Holdings Limited, or Skyline, for a total consideration of US$37.5 million. In relation to the issuance of series D preferred shares, we adjusted the conversion price for the series C preferred shares from US$5.24 per share to US$4.14 per share while other terms of the series C preferred shares remain unchanged. In connection with our series D preferred shares, we also granted and issued warrants to Skyline to purchase 1,952,663 and 266,272 series D preferred shares in our company at US$3.38 per share in February and March 2012, respectively. Each warrant had a term of two years starting from the date of grant. The two warrants expired in February and March 2014, respectively.

Series E preferred shares and warrants to purchase series E shares

A. *First tranche of Series E preferred shares.* In March 2014, we completed the first tranche of series E preferred shares financing with Xiaomi Ventures, pursuant to which Xiaomi Ventures subscribed for 70,975,491 series E preferred shares for a total purchase price of US$200 million, or US$2.81787412 per share. Furthermore, Xiaomi Ventures or its designee has the right to subscribe for additional series E preferred shares for a total consideration of US$100 million within three months after the closing of the first tranche of series E preferred shares financing. With our subsequent adjustment of Xiaomi's subscription price per share in relation to the second tranche of series E preferred shares, on April 24, 2014, we issued and sold additional 1,567 series E preferred shares to Xiaomi Ventures. In addition, the issuance of series E preferred shares triggered the anti-dilution rights of series C preferred shares held by CRP Holdings Limited and series D preferred shares held by Skyline pursuant to our then effective memorandum and articles of association. As a result, we adjusted the conversion price of the series C preferred shares held by CRP Holdings Limited from US$4.14 to US$3.64141727, and the conversion price of series D preferred shares held by Skyline from US$3.544 to US$2.86129657.

B. *Second tranche of series E preferred shares.* On April 24, 2014, we completed the second tranche of series E preferred shares, in which we issued and sold 31,939,676, 3,233,399, 315,454 and 3,548,853 series E preferred shares, respectively, to King Venture, Morningside China TMT Special Opportunity Fund, L.P., Morningside China TMT Fund III Co-Investment, L.P. and IDG Technology Venture Investment V, L.P., for a total purchase price of US$110 million, or US$2.81781192 per share. Upon the completion of the second tranche of series E preferred shares financing, the subscription for additional series E preferred shares upon exercise of subscription rights by Xiaomi Ventures or its designee were deemed to have been consummated simutaneously and according to our then effective memorandum and articles of association, we further adjusted the conversion price of the series C preferred shares held by CRP Holdings Limited to US$3.63116696 and the conversion price of series D preferred shares held by Skyline to US$2.85991759. As a result of such adjustment and our repurchase of

3,808,943 series D preferred shares from Skyline on April 15, 2014, we will issue 165,236 and 8,391,850 common shares upon conversion of 114,565 series C preferred shares held by CRP Holdings Limited and 6,771,454 series D preferred shares held by Skyline.

C. *Warrants to purchase series E preferred shares*

Concurrent with the closing of the first tranche of series E preferred shares, we issued warrants to Xiaomi Ventures with an exercise price of US$2.81787412 per share. Xiaomi Ventures was entitled to subscribe for up to 17,743,873 series E preferred shares upon exercise of the warrants. If we are unable to complete this offering by December 31, 2014, then such warrants are exercisable at Xiaomi Ventures' option starting from January 1, 2015 and ending on March 1, 2015. We also issued warrants to Skyline, with an exercise price of US$2.81787412 per share. Skyline was entitled to subscribe for up to 3,406,824 series E preferred shares upon its exercise of the warrants. Such warrants are exercisable at Skyline's option no later than the pricing date of this offering or March 1, 2015, whichever is earlier. Subsequently, with our adjustment of the share purchase price in the second tranche of series E preferred shares, upon the completion of the second tranche on April 24, 2014, the maximum number of series E preferred shares upon Xiaomi Ventures' exercise of the warrants was increased to 17,744,264 shares with an exercise price of US$2.81781192 per share and the maximum number of series E preferred share upon Skyline's exercise of the warrants was increased to 3,406,899 shares with an exercise price US$2.81781192 per share.

Repurchase of our common and preferred shares

Repurchase from Skyline. In connection with our series E preferred shares financing, on April 15, 2014, we repurchased from Skyline 469,225 common shares, 27,180 series A preferred shares, 591,451 series A-1 preferred shares, 725,237 series B preferred shares and 3,808,943 series D preferred shares for a total consideration of US$24,275,665.3.

Repurchase of shares from shareholders. On April 24, 2014, we repurchased from our existing shareholders a total of 17,676,240 common shares on an as-converted basis, including 10,334,679 common shares from Vantage Point Global Limited, 3,860,733 common shares from Aiden & Jasmine Limited, 450,000 series A preferred shares from Bright Access International Limited, 2,921,868 series B preferred shares from Fidelity Asia Ventures Fund L.P., and 108,960 series B preferred shares from Fidelity Asia Principals Fund L.P., for a total consideration of US$49,808,318.63. We transferred a total of 14,195,412 repurchased common shares to Leading Advice Holdings Limited for future issuance of restricted shares under our 2014 Plan and cancelled the remaining repurchased shares on the same date.

Grant of incentive awards. In November 2013 and April 2014, we issued 9,073,732 common shares and transferred 14,195,412 common shares, respectively, to Leading Advice Holdings Limited, a BVI company designated by our founders, which acts as the administrator of our 2013 plan and 2014 Plan prior to the completion of this offering. As of the date of this prospectus, we have awarded certain number of restricted shares to our executive officers and other employees under the 2013 Plan. See "Management—Share Incentive Plans" for more details.

Shareholders agreement

In connection with the issuance of our series E preferred shares, we entered into a seventh amended and restated shareholders agreement in April 2014 with our shareholders and relevant parties therein. Pursuant to this seventh amended and restated shareholders agreement, our existing series D preferred shareholder is entitled to designate and remove one voting director of the board as long as the aggregate number of shares this shareholder has transferred (less the aggregate number of shares this shareholder has acquired) divided by 15,616,764 is less than or equal to 36.3%. In addition, for so long as Xiaomi Ventures continues to hold any series E preferred shares, Xiaomi Ventures is entitled to designate and remove two voting directors of the board. For so long as Kingsoft Venture continues to hold any series E preferred shares, Kingsoft Venture is entitled to designate and remove one voting director of the board. For so long as Morningside China TMT Special Opportunity Fund, L.P., Morningside China TMT Fund III Co-Investment, L.P. and Morningside Technology Investments Limited, collectively as Morningside Funds, continue to hold an aggregate of 12% of the shares of our issued shares or any series E preferred shares. Morningside Funds are entitled to designate and remove one voting director of the board. For as long as IDG Funds do not transfer any of the shares they hold as the date of April 24, 2014, IDG Funds are entitled to designate and remove one voting director of the board. For so long as our co-founders together continue to hold, directly and indirectly, at least 5% of the issued shares, Mr. Sean Shenglong Zou is entitled to appoint and remove two voting directors of the board and Mr. Hao Cheng is entitled to appoint and remove one voting director of the board. Under the shareholders agreement and our seventh amended and restated memorandum of association and sixth amended and restated articles of association, our series A, series A-1, series B, series C, series D and series E preferred shareholders are also entitled to registration rights and certain preferential rights, including right of first refusal, right of co-sale, right of first offer and drag-along rights. Except for the registration rights, all preferred shareholders' rights will automatically terminate upon the completion of this offering. Additionally, the co-founders have agreed to the transfer restrictions imposed on an aggregate number of 39,934,162 common shares beneficially owned by the co-founders. Accordingly, the co-founders are unable to transfer the relevant shares to any third party until April 24, 2019 or April 24, 2018, as the case may be.

Registration rights

Pursuant to our seventh amended and restated shareholders agreement, we have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the agreement.

Demand registration rights. At any time following the completion of this offering or the fourth anniversary of April 24, 2014, whichever is earlier, upon a written request from the holders of at least 30% of the registrable securities then outstanding, we shall file a registration statement covering the offer and sale of the registrable securities. Registrable securities include our common shares issued or issuable upon conversion of the preferred shares provided that, with respect to demand registration right, registrable securities exclude common shares issued or issuable upon conversion of the series C preferred shares. However, we are not obligated to proceed with a demand registration if (i) such registration is in any particular jurisdiction in which we would be required to execute a general consent to service of process in effecting such registration, qualification or compliance, unless we already are subject to service in such jurisdiction and except as may be required by the Securities Act; (ii) we have

already effected three demand registrations; (iii) such registration is during the period starting with the date 60 days prior to our good faith estimate of the date of filing of, and ending on a date 180 days after the effective date of a registration initiated by us, provided that we are actively employing in good faith all reasonable efforts to cause such registration statements to become effective; (iv) the initiating holders (defined in the shareholders agreement) propose to dispose of registrable securities which may be immediately registered on Form F-3 pursuant to a request from other holders of registrable shares; (v) initiating holders do not request that such offering be firmly underwritten by underwriters selected by the initiating holders or (vi) if we and the initiating holders are unable to obtain the commitment of the underwriter described in clause (v) above to firmly underwrite the offer. We have the right to defer filing of a registration statement for up to 120 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Piggyback registration rights. If we propose to file a registration statement for a public offering of our securities other than pursuant to registration statement relating to any employee benefit plan or a corporate reorganization, then we must offer holders of registrable securities an opportunity to include in that registration all or any part of their registrable securities. The underwriters of any underwritten offering have the right to limit the number of shares with registration rights to be included in the registration statement, subject to certain limitations; for example, the number of shares that may be included in the registration and the underwriting shall be allocated first to us and then to the series E, series D, series C, series B and series A-1 preferred shareholders in turn.

Form F-3 registration rights. When we are eligible for registration on Form F-3, holders of at least 30% of the registrable securities then outstanding will have the right to request that we file registration statements on Form F-3 covering the offer and sale of their securities. A Form F-3 registration shall not be deemed to be a demand registration.

We are not obligated to effect a Form F-3 registration, among other things, if (1) we have already effected a registration under the Securities Act within the six months period preceding the date of such request, other than a registration from which the registrable securities of the holders have been excluded, or (2) the dollar amount of securities to be sold is of an aggregate price to the public of less than US$1.0 million. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Expenses of registration. We will pay all expenses relating to any demand, piggyback, or Form F-3 registration, other than underwriting commissions and discounts.

Termination of obligations. Our obligations with respect to the piggyback registration rights shall terminate on the fifth anniversary of the completion of this offering. Our obligations with respect to the demand registration rights or the Form F-3 registration rights shall terminate on the fifth anniversary of the completion of this offering. In addition, we shall have no obligation to effect any demand, or Form F-3 registration if, in the opinion of our counsel, all registrable securities may be sold at that time without registration pursuant to Rule 144 under the Securities Act.

Differences in corporate law

The Companies Law of the Cayman Islands is modeled after that of the English Companies legislation but does not follow recent English statutory enactments. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and similar arrangements. The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company; and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to majority vote have been met;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such that a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a take-over offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

If the arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of United States corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits. In principle, we will normally be the proper plaintiff and a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts ordinarily would be expected to apply and follow the common law principles (namely the rule in Foss v. Harbottle and the exceptions thereto) which permit a minority shareholder to commence a representative action against, or derivative actions in the name of, our company to challenge:

- an act which is illegal or ultra vires;
- an irregularity in the passing of a resolution which requires a qualified (or special) majority; and
- an act which constitutes a fraud on the minority where the wrongdoers are themselves in control of the company.

Indemnification. Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Under our memorandum and articles of association, we shall indemnify each of our directors and officers of our company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him, otherwise than by reason of his own dishonesty, actual fraud or willful default, in connection with the execution or discharge of his duties, powers, authorities or discretions as a director or officer of our company.

We intend to enter into indemnification agreements with our directors and executive officers to indemnify them to the fullest extent permitted by applicable law and our articles of association, from and against all costs, charges, expenses, liabilities and losses incurred in connection with any litigation, suit or proceeding to which such director is or is threatened to be made a party, witness or other participant.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been advised that in the opinion of the Securities and Exchange Commission, or the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

General meetings and shareholder proposals. Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association allow our shareholders holding not less than one-third of our voting share capital to requisition a general meeting of the shareholders, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors. We, however, will hold an annual shareholders' meeting during each fiscal year, as required by the rules of the NASDAQ Global Market.

Description of American depositary shares

American depositary shares

The Bank of New York Mellon, as depositary, will register and deliver American depositary shares, also referred to as ADSs. Each ADS will represent five common shares (or a right to receive five common shares) deposited with the principal Hong Kong office of The Hong Kong and Shanghai Banking Corporation Limited, as custodian for the depositary. Each ADS will also represent any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York Mellon's principal executive office is located at One Wall Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American depositary receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having ADSs registered in your name in the direct registration system, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The direct registration system, also referred to as DRS, is a system administered by The Depository Trust Company, also referred to DTC, under which the depositary may register the ownership of uncertificated ADSs, which ownership is confirmed by periodic statements sent by the depositary to the registered holders of uncertificated ADSs.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. Cayman Islands law governs shareholder rights. The depositary will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR. See "Where You Can Find Additional Information" for directions on how to obtain copies of those documents.

Dividends and other distributions

How will you receive dividends and other distributions on the shares?

The depositary has agreed to pay to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Shares your ADSs represent.

Cash. The depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency

only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. See "Taxation". It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.*

Shares. The depositary may, and shall if we so request in writing, distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed shares sufficient to pay its fees and expenses in connection with that distribution.

Rights to purchase additional shares. If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may make these rights available to ADS holders. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. *In that case, you will receive no value for them.*

If the depositary makes rights available to ADS holders, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to the persons entitled to them. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

Other distributions. The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives reasonably satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. *This*

means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

Deposit, withdrawal and cancellation

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

Except for common shares deposited by us in connection with this offering, no shares will be accepted for deposit during a period of 180 days after the date of this prospectus. The 180-day lock-up period is subject to adjustment under certain circumstances as described in the section entitled "Shares Eligible for Future Sale—Lock-up Agreements."

How can ADS holders withdraw the deposited securities?

You may surrender your ADSs at the depositary's corporate trust office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

How do ADS holders interchange between certificated ADSs and uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting rights

How do you vote?

ADS holders may instruct the depositary how to vote the number of deposited shares their ADSs represent. The depositary will notify ADS holders of shareholders' meetings and arrange to deliver our voting materials to them if we ask it to. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they much reach the depositary by a date set by the depositary.

Otherwise, you won't be able to exercise your right to vote unless you withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares.

The depositary will try, as far as practical, subject to the laws of the Cayman Islands and of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. The depositary will only vote or attempt to vote as instructed. If we ask for your instructions but the depositary does not receive your instructions by the date the depositary sets, the depositary may give a discretionary proxy to a person designated by us to vote the amount of deposited shares your

ADSs represent, unless we notify the depositary that (i) substantial opposition exists or (ii) the matter to be voted on would have a material adverse effect on the rights of holders of our common shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. 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 your shares are not voted as you requested.*

We have agreed to give the Depositary notice of any such meeting and details concerning the matters to be voted upon as far in advance of the meeting date as practicable.

Fees and expenses

Persons depositing or withdrawing shares or ADS holders must pay:	**For:**
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
$.05 (or less) per ADS	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders
$.05 (or less) per ADSs per calendar year	Depositary services
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse and / or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the deposit agreement, the depositary may use brokers, dealers or other service providers that are affiliates of the depositary and that may earn or share fees or commissions.

Payment of taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Reclassifications, recapitalizations and mergers

If we:	Then:
• Change the nominal or par value of our shares • Reclassify, split up or consolidate any of the deposited securities • Distribute securities on the shares that are not distributed to you • Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action	The cash, shares or other securities received by the depositary will become deposited securities. Each ADS will automatically represent its equal share of the new deposited securities. The depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

Amendment and termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for

taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended*.

How may the deposit agreement be terminated?

The depositary will terminate the deposit agreement at our direction by mailing notice of termination to the ADS holders then outstanding at least 30 days prior to the date fixed in such notice for such termination. The depositary may also terminate the deposit agreement by mailing notice of termination to us and the ADS holders if 60 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property, and deliver shares, other deposited securities and distributions upon cancellation of ADSs. Four months after termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the *pro rata* benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

Limitations on obligations and liability

Limits on our obligations and the obligations of the depositary; limits on liability to holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if we are or it is prevented or delayed by law or circumstances beyond our control from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and

- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Requirements for depositary actions

Before the depositary will deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

Your right to receive the shares underlying your ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- When temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares.
- When you owe money to pay fees, taxes and similar charges.
- When it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Pre-release of ADSs

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying shares, unless requested in writing by us to cease doing so. This is called a pre-release of the ADSs. The depositary may also deliver shares upon cancellation of pre-released ADSs (even if the ADSs are canceled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying shares are delivered to the depositary. The depositary may receive ADSs instead of shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer owns the shares or ADSs to be deposited; (2) the pre-release is fully collateralized

with cash or other collateral that the depositary considers appropriate; and (3) the depositary must be able to close out the pre-release on not more than five business days' notice. In addition, the depositary normally will limit the number of ADSs that may be outstanding at any time as a result of pre-release to no more than 30% of the amount of shares on deposit, although the depositary may disregard the limit from time to time if it thinks it is appropriate to do so. The depositary has full discretion on how and to what extent it may disregard the limit for the amount of ADSs that may be outstanding at any time as a result of pre-release.

Direct registration system

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC under which the depositary may register the ownership of uncertificated ADSs, which ownership will be confirmed by periodic statements sent by the depositary to the registered holders of uncertificated ADSs. Profile is a required feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

Shareholder communications; inspection of register of holders of ADSs

The depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send you copies of those communications if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Shares eligible for future sale

Upon completion of this offering, we will have 7,315,000 ADSs outstanding, representing approximately 10.5% of our outstanding common shares, assuming the underwriters do not exercise their over-allotment option to purchase additional ADSs. All of the ADSs sold in this offering will be freely transferable by persons other than our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs. Prior to this offering, there has been no public market for our common shares or the ADSs, and while application will be made for the ADSs to be listed on the NASDAQ Global Market, we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our common shares not represented by the ADSs.

Lock-up agreements

Each of our directors, executive officers, certain of our existing shareholders holding in the aggregate of over 90% of our outstanding shares and certain option holders to purchase our common shares has agreed, subject to some exceptions, not to transfer or dispose of, directly or indirectly, any of our common shares, in the form of ADSs or otherwise, or any securities convertible into or exchangeable or exercisable for our common shares, in the form of ADSs or otherwise, for a period of 180 days after the date this prospectus becomes effective. After the expiration of the 180-day period, the common shares or ADSs held by our directors, executive officers, our existing shareholders and option holders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

Rule 144

Under Rule 144 as currently in effect, a person who has beneficially owned our restricted shares for at least six months is generally entitled to sell the restricted securities without registration under the Securities Act beginning 90 days after the date of this prospectus, subject to certain additional restrictions.

Our affiliates may sell within any three-month period a number of restricted shares that does not exceed the greater of the following:

- 1% of the then outstanding common shares, in the form of ADSs or otherwise, which will equal approximately common shares immediately after this offering; or
- the average weekly trading volume of our common shares in the form of ADSs or otherwise, on the NASDAQ Global Market, during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Affiliates who sell restricted securities under Rule 144 may not solicit orders or arrange for the solicitation of orders, and they are also subject to notice requirements and the availability of current public information about us.

Persons who are not our affiliates are only subject to one of these additional restrictions, the requirement of the availability of current public information about us, and this additional restriction does not apply if they have beneficially owned our restricted shares for more than one year.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our common shares from us in connection with a compensatory stock or option plan or other written agreement relating to compensation is eligible to resell such common shares 90 days after we became a reporting company under the Securities Exchange Act of 1934, as amended, or the Exchange Act in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

Registration rights

Upon completion of this offering, certain holders of our common shares or their transferees will be entitled to request that we register their shares under the Securities Act, following the expiration of the lock-up agreements described above. See "Description of share capital—Registration rights."

Taxation

The following summary of material Cayman Islands, PRC and United States federal income tax consequences of an investment in our ADSs or common shares is based upon laws and relevant interpretations thereof as of the date of this prospectus, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or common shares. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Maples and Calder, our special Cayman Islands counsel; and to the extent it relates to PRC tax law, it represents the opinion of Zhong Lun Law Firm, our special PRC counsel.

Cayman Islands taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People's Republic of China taxation

Under the PRC EIT Law, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" of the PRC. A circular issued by the State Administration of Taxation on April 22, 2009 clarified that dividends and other income paid by such resident enterprises will be considered PRC-source income and subject to PRC withholding tax, currently at a rate of 10%, when paid to non-PRC enterprise shareholders. Under the implementation regulations to the EIT Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the circular mentioned above specifies that certain offshore enterprises controlled by PRC resident enterprises will be classified as PRC resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, the company seal, and minutes of board meetings and shareholders' meetings; and half or more of the senior management or directors having voting rights. We do not believe we would be treated as a "resident enterprise" for PRC tax purposes even if the criteria for "de facto management body" as set forth in the circular mentioned above were deemed applicable to us. See "Risk factors—Risks related to doing business in China—Our global income may be subject to PRC taxes under the PRC EIT Law, which may have a material adverse effect on our results of operations." However, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our non-resident enterprise shareholders, including the holders of our ADSs and non-resident enterprise holders may be subject to PRC tax on gains realized on the sale or other disposition of ADSs or common shares. It is unclear whether

our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% (unless a reduced rate is available under an applicable tax treaty).

If we are deemed to be a PRC resident enterprise and our non-resident enterprise shareholders (including our ADS holders) are subject to PRC tax as described above, the withholding agent will be required to withhold enterprise income tax on payments of dividends to such investors. The withholding agent must obtain a tax withholding registration and withhold the enterprise income tax from each payment made to non-resident enterprise shareholders and file a report to the competent tax authorities. Where the withholding agent fails or is unable to perform its withholding obligation, the non-resident enterprise shareholders must pay the tax due to the applicable tax authorities within seven days after the payment is made or due. We, as the withholding agent, will be required to obtain a tax withholding registration and withhold the applicable enterprise income tax in order to comply with the above requirements. It is not clear who the withholding agent would be if tax is due on capital gains. In the event that we or our non-resident enterprise shareholders (including our ADS holders) fail to comply with the above procedures, we or our non-resident enterprise shareholders (including our ADS holders) may be ordered to rectify the non-compliance or be subject to a fine of no more than RMB10,000. Failure by us to withhold the income tax fully and timely may result in a fine of 50% to three times of the unpaid tax and failure by our ADS holders to pay the tax fully and timely may result in late payment penalties, or a fine of 50% to three times of the unpaid tax.

In addition, if we are treated as a PRC resident enterprise for enterprise income tax purposes, we may be eligible for the benefits of the income tax treaty between the PRC and other jurisdictions in which we may derive income, such as the United States. However, if we are treated as a PRC resident enterprise, we do not expect to withhold at treaty rates if any withholding is required on dividends we pay to our non-resident shareholders (including our ADS holders) notwithstanding such holders may be eligible for the income tax treaty between their resident jurisdictions and the PRC. The United States—PRC tax treaty generally limits PRC withholding on dividends to a rate of 10%. Investors should consult their tax advisors regarding the availability of treaty benefits and the procedure for claiming a refund, if any.

If we are not deemed a PRC resident enterprise, no PRC income tax will be withheld from dividends distributed by us and no PRC income tax will be payable on gains realized from the sale or other disposition of our shares or ADSs by the non-resident holders of our shares or ADSs.

United States federal income tax considerations

The following discussion is a summary of the United States federal income tax considerations relating to the acquisition, ownership and disposition of our ADSs or common shares by a U.S. Holder (as defined below) that acquires our ADSs in the offering and holds our ADSs as "capital assets" (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to any United States federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This

discussion does not address all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, certain financial institutions, insurance companies, regulated investment companies, real estate investment trusts, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships and their partners, and tax-exempt organizations (including private foundations), holders who are not U.S. Holders, holders who own (directly, indirectly or constructively) 10% or more of our voting stock, holders that will hold their ADSs or common shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction, or holders that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below). In addition, except to the extent described below, this discussion does not discuss any state, local, alternative minimum tax, non-United States tax considerations, or the Medicare tax. U.S. Holders are urged to consult their tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our ADSs or common shares.

General

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of our ADSs or common shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the laws of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person under the Code.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of our ADSs or common shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or common shares and partners in such partnerships are urged to consult their tax advisors regarding an investment in our ADSs or common shares.

For United States federal income tax purposes, a U.S. Holder of ADSs will generally be treated as the beneficial owner of the underlying shares represented by the ADSs. Accordingly, deposits or withdrawals of common shares for ADSs will generally not be subject to United States federal income tax. The United States Treasury has expressed concerns that parties to whom American depositary shares are released before shares are delivered to the depositary (a "pre-release transaction"), or intermediaries in the chain of ownership between holders of American depositary shares and the issuer of the security underlying the American depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of American depositary shares. These actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the creditability of any PRC taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate

U.S. Holders, each described below, could be affected by actions taken by such parties or intermediaries in respect of a pre-release transaction.

Passive foreign investment company considerations

A non-United States corporation, such as our company, will be classified as a "passive foreign investment company", or "PFIC", for United States federal income tax purposes, if, in the case of any particular taxable year, 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 average quarterly value of its assets (as determined on the basis of fair market value) during such year produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company's unbooked intangibles associated with active business activities may generally be classified as non-passive assets. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. 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.

We currently hold, and may continue to hold, a substantial amount of cash. As cash is treated as a passive asset, and in light of the expected value of our assets (which is based on the expected price of our ADSs in this Offering) there is a significant risk that we will become a PFIC for the current or future taxable years. In particular, the determination of whether we are a PFIC for any particular year will depend upon the composition of our income and assets and the value of our assets from time to time, including, the value of our goodwill and other unbooked intangibles (which may depend upon the market value of our ADSs from time-to-time, which may be volatile) and may also be affected by how, and how quickly, we spend our liquid assets and cash (including the cash raised in this offering). Under circumstances where we determine not to deploy significant amounts of cash for active purposes, or if our market capitalization declines, our risk of being classified as a PFIC may substantially increase.

In addition, although the law in this regard is unclear, we treat Shenzhen Xunlei as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entity but also because we are entitled to substantially all of the economic benefits associated with this entity, and, as a result, we consolidate this entity's operating results in our consolidated financial statements. If it were determined, however, that we are not the owner of Shenzhen Xunlei for United States federal income tax purposes, we may be treated as a PFIC for our current taxable year and any subsequent taxable year.

In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our anticipated market capitalization immediately following the close of this offering. Although we believe that our classification methodology and valuation approach is reasonable, it is also possible that the IRS may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our being classified as a PFIC for the current or future taxable years.

It is also possible that we may be or become a PFIC in the current or any future taxable due to changes in our asset or income composition, which will be affected by how, and how quickly, we use our liquid assets and cash (including the cash raised in this offering). In addition, the

IRS may challenge the classification of certain of our non-passive revenues as passive royalty income, which may result in our becoming classified as a PFIC in the current or future taxable years. If we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or common shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or common shares even if we cease to meet the threshold requirements for PFIC status, unless a U.S. Holder makes a taxable "deemed sale" election that may allow the U.S. Holder to eliminate the continuing PFIC status under certain circumstances.

Because PFIC status is a factual determination made annually, our special United States counsel expresses no opinion with respect to our PFIC status and also expresses no opinion with respect to our expectations regarding our PFIC status. The discussion below under "Dividends" and "Sale or other disposition of ADSs or common shares" is written on the basis that we will not be classified as a PFIC for United States federal income tax purposes. The United States federal income tax rules that apply if we are classified as a PFIC for our current or future taxable years are generally discussed below under "Passive foreign investment company rules."

Dividends

Subject to the discussion below under "Passive foreign investment company rules," any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or common shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of common shares, or by the depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid will generally be treated as a "dividend" for United States federal income tax purposes. A non-corporate recipient of dividend income will generally be subject to tax on dividend income from a "qualified foreign corporation" at a lower applicable capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met. A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (ii) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. We intend to apply to list the ADSs on the NASDAQ Global Market. Provided the listing is approved, we believe that the ADSs will be readily tradable on an established securities market in the United States and that we will be a qualified foreign corporation with respect to dividends paid on the ADSs. Since we do not expect that our common shares will be listed on established securities markets, it is unclear whether dividends that we pay on our common shares that are not backed by ADSs currently meet the conditions required for the reduced tax rate. There can be no assurance that our ADSs will continue to be considered readily tradable on an established securities market in later years. In the event we are deemed to be a resident enterprise under the PRC Enterprise Income Tax Law, we may be eligible for the benefits of the United States-PRC income tax treaty (which the U.S. Treasury Department

has determined is satisfactory for this purpose) and we would be treated as a qualified foreign corporation with respect to dividends paid on our common shares or ADSs. Each non-corporate U.S. Holder is advised to consult their tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends we pay with respect to the common shares and ADSs. Dividends received on our ADSs or common shares will not be eligible for the dividends received deduction allowed to corporations.

Dividends will generally be treated as passive income from foreign sources for United States foreign tax credit purposes. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ADSs or common shares. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld, may instead claim a deduction, for United States federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes.

Sale or other disposition of ADSs or common shares

Subject to the discussion below under "Passive foreign investment company rules," a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or common shares in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such ADSs or common shares. Any capital gain or loss will be long-term if the ADSs or common shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. Long-term capital gain of non-corporate U.S. Holders is generally eligible for a reduced rate of taxation. The deductibility of a capital loss is subject to limitations. In the event that gain from the disposition of the ADSs or common shares is subject to tax in the PRC, a U.S. Holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC source income. U.S. Holders are advised to consult its tax advisors regarding the tax consequences if a PRC tax is imposed on a disposition of our ADSs or common shares, including the availability of the foreign tax credit under their particular circumstances.

Passive foreign investment company rules

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or common shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special United States federal income tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs or common shares), and (ii) any gain realized on the sale or other disposition, including, under certain circumstance, a pledge, of ADSs or common shares. Under the PFIC rules:

- the excess distribution and/or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or common shares;

- the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC, or a pre-PFIC year, will be taxable as ordinary income;

- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. Holder for that year; and

- an interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or common shares and any of our non-United States subsidiaries or VIE entities is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are advised to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries or VIE entities.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to our ADSs, provided that the ADSs are regularly traded on the Nasdaq Global Market. In addition, we do not expect that holders of common shares that are not represented by ADSs will be eligible to make a mark-to-market election. Our ADSs may be regularly traded, but no assurances may be given in this regard. If a mark-to-market election is made, the U.S. Holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes an effective mark-to-market election, in each year that we are a PFIC any gain recognized upon the sale or other disposition of the ADSs will be treated as ordinary income and loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder that makes a mark-to-market election with respect to our ADSs may continue to be subject to the general PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections, which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or common shares during any taxable year that we are a PFIC, the holder generally will be required to file annual reports with the IRS. U.S. Holders are advised to consult their tax advisors concerning the United States federal income tax consequences of purchasing, holding and disposing ADSs or common shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market election.

Information reporting and backup withholding

Pursuant to the Hiring Incentives to Restore Employment Act enacted on March 18, 2010, in tax years beginning after the date of enactment, an individual U.S. Holder and certain entities may be required to submit to the IRS certain information with respect to their beneficial ownership of the ADSs or common shares, if such ADSs or ordinary shares are not held on their behalf by a U.S. financial institution. This law also imposes penalties if an individual U.S. Holder is required to submit such information to the IRS and fails to do so.

In addition, U.S. Holders may be subject to information reporting to the IRS and backup withholding with respect to dividends on and proceeds from the sale or other disposition of our ADSs or common shares. Each U.S. Holder is advised to consult with its tax advisor regarding the application of the United States information reporting rules to their particular circumstances.

Underwriting

We are offering the ADSs described in this prospectus through a number of underwriters. J.P. Morgan Securities LLC and Citigroup Global Markets Inc. are acting as the joint book-running managers of the offering and are acting as the representatives of the underwriters. Subject to the terms and conditions of an underwriting agreement between us and the underwriters, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of ADSs listed next to its name in the following table:

Name	Number of ADSs
J.P. Morgan Securities LLC	
Citigroup Global Markets Inc.	
Oppenheimer & Co. Inc.	
Total	7,315,000

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed to purchase all the ADSs offered by us if they purchase any ADSs. If an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose to offer the ADSs directly to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of US$ per ADSs. Any such dealers may resell ADSs to certain other brokers or dealers at a discount of up to US$ per ADSs from the initial public offering price. After the initial public offering of the ADSs, the offering price and other selling terms may be changed by the underwriters. Sales of ADSs made outside of the United States may be made by affiliates of the underwriters.

The underwriters have an option to buy up to 1,097,250 additional ADSs from us to cover sales of ADSs by the underwriters which exceed the number of ADSs specified in the table above. The underwriters have 30 days from the date of this prospectus to exercise this over-allotment option. If any ADSs are purchased with this over-allotment option, the underwriters will purchase ADSs in approximately the same proportion as shown in the table above. If any additional ADSs are purchased, the underwriters will offer the additional ADSs on the same terms as those on which the ADSs are being offered.

At our request, the underwriters have reserved up to 5% of the ADSs for sale at the initial public offering price to persons we designate who are directors, officers, employees, consultants, associates and other persons having a relationship with us through a directed share program, subject to the terms of the underwriting agreement, the applicable rules, regulations and interpretations of the Financial Industry Regulatory Authority and all other applicable laws, rules and regulations. We will pay all fees and expenses incurred by the underwriters in connection with offering the ADSs through the directed share program. Any sales made through the directed share program will be made by Piper Jaffray & Co. The number of ADSs available for sale to the general public will be reduced by the number of directed ADSs purchased by participants in the program. The underwriters may offer any ADSs

not purchased by participants in the directed share program to the general public on the same basis as the other ADSs being sold hereunder. We have agreed to indemnify Piper Jaffray & Co. against certain losses, expenses and liabilities that it incurs in connection with the directed share program, including indemnification for any losses arising from the failure of any directed share program participant to pay for shares that it agreed to purchase through the directed share program.

The underwriting fee is equal to the public offering price per ADS less the amount paid by the underwriters to us per ADS. The underwriting fee is US$ per ADS. The following table shows the per ADS and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional ADSs.

		Without over-allotment exercise	**With full over-allotment exercise**
Per ADS	US$	US$	
Total	US$	US$	

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately US$3.45 million.

A prospectus in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of ADSs to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed that we will not (i) issue, offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any common shares or ADSs, or any securities convertible into or exercisable or exchangeable for common shares or ADSs, (ii) file, or announce the intention to file, any registration statement with respect to any common shares or ADSs, or any securities convertible into or exercisable or exchangeable for common shares or ADSs, or (iii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of common shares or ADSs (regardless of whether any of these transactions are to be settled by the delivery of common shares or ADSs or such other securities, in cash or otherwise), in each case without the prior written consent of the representatives for a period of 180 days after the date of this prospectus, other than (A) the ADSs to be sold hereunder and the common shares represented by such ADSs, (B) grants of employee share options, restricted shares or other equity incentives pursuant to our Share Incentive Plan existing on the date of this prospectus, which are described under "Management—Share Incentive Plans," and (C) issuances of common shares upon the exercise of options granted under such Share Incentive Plan.

Our directors and executive officers, certain of our existing shareholders holding in the aggregate of over 90% of our outstanding shares and certain option holders to purchase our common shares have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which each of these persons or entities, with limited exceptions, for a period of 180 days after the date of this prospectus, may not, without the prior written consent of the representatives, (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any common shares, ADSs or any securities convertible into or exercisable or exchangeable for common shares or ADSs (including without limitation, common shares which may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the United States Securities and Exchange Commission and securities which may be issued upon exercise of a stock option or warrant), or publicly disclose the intention to make any offer, sale, pledge or disposition, (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common shares or ADSs (regardless of whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of common shares or ADSs or such other securities, in cash or otherwise), or (iii) make any demand for or exercise any right with respect to the registration of any common shares or any security convertible into or exercisable or exchangeable for common shares, except (A) the ADSs and the common shares represented by such ADSs to be sold by such person as a selling shareholder, if any, and (B) under certain circumstances including, without limitation to, transfers pursuant to gifts, dispositions and by will or intestacy where each transferee signs and delivers a lock-up agreement. Furthermore, all of our directors, executive officers, shareholders and holders of the options to purchase our common shares are restricted by our agreement with the depositary from depositing common shares in our ADS facility or having new ADSs issued to them during the "lock-up" period, unless we otherwise instruct the depositary with the prior written consent of the representatives of the underwriters.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

We intend to apply for listing of our ADSs on the NASDAQ Global Market under the symbol "XNET."

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling ADSs in the open market for the purpose of preventing or retarding a decline in the market price of the ADSs while this offering is in progress. These stabilizing transactions may include making short sales of ADSs, which involves the sale by the underwriters of a greater number of ADSs than they are required to purchase in this offering, and purchasing ADSs on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing ADSs in the open market. In making this determination, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market compared to the price at which the underwriters may purchase ADSs through the

over-allotment option. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase ADSs in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the ADSs, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase ADSs in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those ADSs as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the ADSs or preventing or retarding a decline in the market price of the ADSs, and, as a result, the price of the ADSs may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the NASDAQ Global Market, in the over-the-counter market or otherwise.

Prior to this offering, there has been no public market for our ADSs. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters. In determining the initial public offering price, we and the representatives of the underwriters expect to consider a number of factors including:

- the information set forth in this prospectus and otherwise available to the representatives;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded common stock or ADSs of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

Neither we nor the underwriters can assure investors that an active trading market will develop for our ADSs, or that the ADSs will trade in the public market at or above the initial public offering price.

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area that has implemented the European Union Prospectus Directive, or a Relevant Member State, from and including the date on which the European Union Prospectus Directive, or EU Prospectus Directive, is implemented in that Relevant Member State, or the Relevant Implementation Date, an offer of the securities described in this prospectus may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the ADSs that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the EU Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the ADSs to the public in that Relevant Member State at any time,

(a) to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive) subject to obtaining the prior consent of the book-running managers for any such offer; or

(d) in any other circumstances that do not require the publication by the company of a prospectus pursuant to Article 3 of the EU Prospectus Directive.

For the purposes of this provision, the expression an "offer of securities to the public" in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State and the expression EU Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measures in each Relevant Member State.

Notice to Prospective Investors in the United Kingdom

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order, or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in Switzerland

Neither this prospectus nor any other material relating to the ADSs which are the subject of the offering contemplated by this prospectus constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The ADSs will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the ADSs, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. The ADSs are being offered in Switzerland by way of a private placement, i.e. to a small number of selected investors only, without any public offer and only to investors who do not purchase the ADSs with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This prospectus or any other material relating to the ADSs are personal and confidential and do not constitute an offer to any other person. This prospectus or any other material relating to the ADSs may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. Such materials may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Notice to Prospective Investors in Australia

This document has not been lodged with the Australian Securities & Investments Commission and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

(i) a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act 2001 (Cth) of Australia (Corporations Act);

(ii) a "sophisticated investor" under section 708(8)I or (d) of the Corporations Act and that you have provided an accountant's certificate to the Company which complies with the requirements of section 708(8)I(i) or (ii) of the Corporations Act and related regulations before the offer has been made; or

(iii) a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act,

and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance.

(b) you warrant and agree that you will not offer any of the shares issued to you pursuant to this document for resale in Australia within 12 months of those shares being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

Notice to Prospective Investors in Cayman Islands

This prospectus does not constitute a public offer of the ADSs or common shares, whether by way of sale or subscription, in the Cayman Islands. Each underwriter has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any ADSs or common shares in the Cayman Islands.

Notice to Prospective Investors in United Arab Emirates

This prospectus is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates, or the UAE. The ADSs have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other UAE exchange.

The offering, the ADSs and interests therein have not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

In relation to its use in the UAE, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the ADSs may not be offered or sold directly or indirectly to the public in the UAE.

Notice to Prospective Investors in Hong Kong

The ADSs may not be offered or sold by means of this document or any other document other than (i) in circumstances that do not constitute an offer or invitation to the public within the meaning of the Companies (Winding Up and Miscellaneous Provision) Ordinance (Cap.32, Laws of Hong Kong) or the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances that do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provision) Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), that is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other

than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The underwriters will not offer or sell any of our ADSs directly or indirectly in Japan or to, or for the benefit of any Japanese person or to others, for re-offering or re-sale directly or indirectly in Japan or to any Japanese person, except, in each case, pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law of Japan and any other applicable laws and regulations of Japan. For purposes of this paragraph, "Japanese person" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA; (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the ADSs are subscribed or purchased under Section 275 by a relevant person that is:

(a) a corporation (that is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the ADSs under Section 275 except:

(i) to an institutional investor (for corporations, under 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than US$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law.

Expenses relating to this offering

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that we expect to incur in connection with this offering. With the exception of the SEC registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the NASDAQ Global Market listing fee, all amounts are estimates.

SEC Registration Fee	US$	11,918
NASDAQ Global Market Listing Fee		125,000
FINRA Filing Fee		15,500
Legal Fees and Expenses		1,500,000
Accounting Fees and Expenses		1,000,000
Printing and Miscellaneous		797,582
Total	US$	3,450,000

Legal matters

The validity of the ADSs and certain other legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP. Certain legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for the underwriters by Davis Polk & Wardwell LLP. The validity of the common shares represented by the ADSs offered in this offering and other certain legal matters as to Cayman Islands law will be passed upon for us by Maples and Calder. Legal matters as to PRC law will be passed upon for us by Zhong Lun Law Firm and for the underwriters by Fangda Partners. Skadden, Arps, Slate, Meagher & Flom LLP may rely upon Maples and Calder with respect to matters governed by Cayman Islands law and Zhong Lun Law Firm with respect to matters governed by PRC law. Davis Polk & Wardwell LLP may rely upon Fangda Partners with respect to matters governed by PRC law.

Experts

The consolidated financial statements as of December 31, 2012 and 2013 for each of the three years in the period ended December 31, 2013 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The offices of PricewaterhouseCoopers are located at 22/F, Prince's Building, Central, Hong Kong.

Where you can find additional information

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits and securities under the Securities Act with respect to underlying common shares represented by the ADSs, to be sold in this offering. We have also filed with the SEC a related registration statement on F-6 to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read our registration statements and their exhibits and schedules for further information with respect to us and our ADSs.

Immediately upon effectiveness of the registration statement to which this prospectus is a part, we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and Section 16 short swing profit reporting for our officers and directors and for holders of more than 10% of our common shares. All information filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. You may also obtain additional information over the internet at the SEC's website at www.sec.gov.

Index to consolidated financial statements

Index to unaudited interim condensed consolidated financial statements

Report of independent registered public accounting firm

To the Board of Directors and Shareholders of Xunlei Limited:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Xunlei Limited and its subsidiaries (collectively, the "Group") at December 31, 2012 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers
Hong Kong
March 21, 2014

Xunlei Limited
Consolidated balance sheets

(Amounts expressed in thousands of United States dollars ("USD"), except for number of shares and per share data)	Note	December 31, 2012	December 31, 2013
Assets			
Current assets:			
Cash and cash equivalents	3	81,906	93,906
Short-term investments	4	6,523	40,993
Accounts receivable, net	5	51,602	35,275
Deferred tax assets	20	874	1,185
Due from related parties	19	—	85
Prepayments and other current assets	6	6,435	6,319
Copyrights related to content, current portion	8	16,490	16,018
Total current assets		**163,830**	**193,781**
Non-current assets:			
Long-term investments	9	1,488	2,949
Deferred tax assets	20	7,912	9,430
Property and equipment, net	7	14,615	20,208
Intangible assets, net	8	10,667	11,958
Prepayments for content copyrights	6	3,393	3,149
Other long-term prepayments and receivables	6	299	2,928
Total assets		**202,204**	**244,403**
Liabilities			
Current liabilities:			
Accounts payable (including accounts payable of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of USD 36,896 and USD 62,603 as of December 31, 2012 and 2013, respectively)		31,834	39,820
Due to a related party (including due to a related party of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of USD 313 and USD 225 as of December 31, 2012 and 2013, respectively)	19	313	225

(Amounts expressed in thousands of United States dollars ("USD"), except for number of shares and per share data)	Note	December 31, 2012	December 31, 2013
Deferred revenue, current portion (including deferred revenue, current portion of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of USD 16,117 and USD 29,352 as of December 31, 2012 and 2013, respectively)	10	16,117	29,352
Income tax payable (including income tax payable of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of USD 2,372 and USD 2,581 as of December 31, 2012 and 2013, respectively)		2,372	2,581
Accrued liabilities and other payables (including accrued liabilities and other payables of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of USD 36,576 and USD 49,265 as of December 31, 2012 and 2013, respectively)	11	28,908	33,407
		79,544	**105,385**
Liabilities			
Non-current liabilities:			
Deferred revenue, non-current portion (including deferred revenue, non-current portion of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of USD 2,071 and USD 2,610 as of December 31, 2012 and 2013, respectively)	10	2,071	2,610
Deferred government grant (including deferred government grant of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of USD 5,193 and USD 6,580 as of December 31, 2012 and 2013, respectively)	2(v)	5,193	6,580

(Amounts expressed in thousands of United States dollars ("USD"), except for number of shares and per share data)	Note	December 31, 2012	December 31, 2013
Deferred tax liability, non-current portion (including deferred tax liability, non-current of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of USD nil as of December 31, 2012 and 2013, respectively)	20	7,361	8,074
Warrants liabilities (including warrants liabilities of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of USD nil as of December 31, 2012 and 2013, respectively)	13	3,717	2,186
Total liabilities		**97,886**	**124,835**
Commitments and contingencies	23		
Mezzanine equity			
Series D convertible redeemable preferred shares USD 0.00025 par value, 18,000,000 shares authorized, 10,580,397 shares issued and outstanding as at December 31, 2012 and 2013; aggregate redemption value of USD 51,018 as of December 31, 2012 and 2013	13	35,990	40,290
Equity			
Series C convertible non-redeemable preferred shares USD0.00025 par value, 5,728,264 shares authorized, 5,728,264 shares issued and outstanding as at December 31, 2012 and 2013	15	1	1
Series B convertible non-redeemable preferred shares USD0.00025 par value, 30,308,284 shares authorized, 30,308,284 shares issued and outstanding as at December 31, 2012 and 2013	15	8	8

(Amounts expressed in thousands of United States dollars ("USD"), except for number of shares and per share data)	Note	December 31, 2012	December 31, 2013
Series A-1 convertible non-redeemable preferred shares USD0.00025 par value, 36,400,000 shares authorized, 36,400,000 shares issued and outstanding as at December 31, 2012 and 2013	15	9	9
Series A convertible non-redeemable preferred shares USD0.00025 par value, 27,932,000 shares authorized, 26,416,560 shares issued and outstanding as at December 31, 2012 and 2013	15	7	7
Common shares USD0.00025 par value, 195,504,449 shares authorized, 61,447,372 shares issued and outstanding as at December 31, 2012 and 70,521,104 shares issued and 61,447,372 shares outstanding as at December 31, 2013	14	15	15
Additional paid-in-capital		59,540	61,634
Accumulated other comprehensive income		3,235	6,003
Statutory reserves		3,142	4,478
Treasury shares 9,073,732 shares as at December 31, 2013	14	—	2
Retained earnings		2,011	7,037
Total Xunlei Limited's shareholders' equity		**67,968**	**79,194**
Non-controlling interest	16	360	84
Total liabilities, mezzanine equity and shareholders' equity		**202,204**	**244,403**

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

Xunlei Limited
Consolidated statements of comprehensive income

(Amounts expressed in thousands of USD, except for number of shares and per share data)	Note	Years ended December 31, 2011	2012	2013
Revenues, net of rebates and discounts	2(n)	87,471	148,200	180,244
Business taxes and surcharges		(5,569)	(7,679)	(5,650)
Net revenues		81,902	140,521	174,594
Cost of revenues	12	(48,068)	(84,012)	(93,260)
Gross profit		**33,834**	**56,509**	**81,334**
Operating expenses				
Research and development expenses		(12,142)	(20,357)	(28,832)
Sales and marketing expenses		(10,966)	(20,219)	(26,610)
General and administrative expenses		(18,601)	(18,474)	(23,073)
Total operating expenses		**(41,709)**	**(59,050)**	**(78,515)**
Net gain from exchanges of content copyrights	2(o)	4,742	4,666	1,020
Operating (loss) / income		**(3,133)**	**2,125**	**3,839**
Interest income		270	1,377	1,189
Interest expense		(339)	(1,400)	—
Other income, net	22	1,415	564	4,679
Shares of (loss) /income from an equity investee		(7)	(45)	25
(Loss) / income before income tax		**(1,794)**	**2,621**	**9,732**
Income tax benefit / (expense)	20	1,783	(2,239)	647
Net (loss) / income		**(11)**	**382**	**10,379**
Less: net loss attributable to the non-controlling interest		(1)	(121)	(283)
Net (loss) / income attributable to Xunlei Limited		**(10)**	**503**	**10,662**
Allocation of net income to participating preferred shareholders		—	—	(4,094)
Beneficial conversion feature of Series C convertible preferred shares from their modifications	15	—	(286)	—
Deemed contribution from Series C preferred shareholders	15	—	2,979	—
Accretion to convertible redeemable preferred shares redemption value	13	—	(3,509)	(4,300)
Net (loss) / income attributable to Xunlei Limited's common shareholders		**(10)**	**(313)**	**2,268**
Net (loss) / income		(11)	382	10,379
Other comprehensive income: Foreign currency translation adjustment, net of tax		1,517	490	2,775
Total comprehensive income		**1,506**	**872**	**13,154**
Less: comprehensive income / (loss) attributable to non-controlling interest shareholders		22	(120)	(276)
Comprehensive income attributable to Xunlei Limited		**1,484**	**992**	**13,430**
Basic net (loss) / income per share attributable to Xunlei Limited's common shareholders	18	(0.00)	(0.01)	0.04
Weighted average number of common shares outstanding—basic	18	59,143,208	61,447,372	61,447,372
Diluted net (loss) / income per share attributable to Xunlei Limited's common shareholders	18	(0.00)	(0.01)	0.01
Weighted average number of common shares outstanding—diluted	18	59,143,208	61,447,372	76,065,898

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

Xunlei Limited
Consolidated statements of changes in shareholders' equity

(Amounts expressed in thousands of USD, except for number of shares and per share data)	Series C convertible non-redeemable preferred share		Series B convertible non-redeemable preferred shares		Series A-1 convertible non-redeemable preferred shares		Series A convertible non-redeemable preferred shares		Common shares		Treasury stock		Additional paid-in capital	Retained earnings	Statutory reserves	Accumulated other comprehensive income	Total shareholders' equity	cont ir
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at December 31, 2010	—	—	30,308,284	8	36,400,000	9	26,416,560	7	53,037,172	13	—	—	28,538	3,922	1,554	1,252	35,303	
Share-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	2,099	—	—	—	2,099	
Issuance of shares	5,728,264	1	—	—	—	—	—	—	—	—	—	—	29,365	—	—	—	29,366	
Exercise of share options	—	—	—	—	—	—	—	—	8,410,200	2	—	—	(2)	—	—	—	—	
Statutory reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,588)	1,588	—	—	
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(10)	—	—	(10)	
Translation adjustments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,494	1,494	
Balance at December 31, 2011	5,728,264	1	30,308,284	8	36,400,000	9	26,416,560	7	61,447,372	15	—	—	60,000	2,324	3,142	2,746	68,252	
Share-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	2,233	—	—	—	2,233	
Beneficial conversion feature of Series C convertible preferred shares from their modifications	—	—	—	—	—	—	—	—	—	—	—	—	286	(286)	—	—	—	
Deemed contribution from Series C preferred shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(2,979)	2,979	—	—	—	
Series D preferred shares accretion	—	—	—	—	—	—	—	—	—	—	—	—	—	(3,509)	—	—	(3,509)	
Net income / (loss)	—	—	—	—	—	—	—	—	—	—	—	—	—	503	—	—	503	
Translation adjustments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	489	489	
Balance at December 31, 2012	5,728,264	1	30,308,284	8	36,400,000	9	26,416,560	7	61,447,372	15	—	—	59,540	2,011	3,142	3,235	67,968	
Issuance of common shares	—	—	—	—	—	—	—	—	—	—	9,073,732	2	(2)	—	—	—	—	
Share-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	2,096	—	—	—	2,096	
Series D preferred shares accretion	—	—	—	—	—	—	—	—	—	—	—	—	—	(4,300)	—	—	(4,300)	
Statutory reserves	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,336)	1,336	—	—	
Net income / (loss)	—	—	—	—	—	—	—	—	—	—	—	—	—	10,662	—	—	10,662	
Translation adjustments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,768	2,768	
Balance at December 31, 2013	5,728,264	1	30,308,284	8	36,400,000	9	26,416,560	7	61,447,372	15	9,073,732	2	61,634	7,037	4,478	6,003	79,194	

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

Xunlei Limited
Consolidated statement of cash flows

(Amounts expressed in thousands of USD except for number of shares and per share data)	Years ended December 31, 2011	2012	2013
Cash flows from operating activities			
Net (loss) / income	(11)	382	10,379
Adjustments to reconcile net (loss) / income to net cash generated from operating activities			
—Depreciation of property and equipment	3,175	3,994	5,112
—Amortization of intangible assets	28,881	50,578	38,314
—Allowance for doubtful accounts	2,527	3,700	4,921
—Loss on disposal of property and equipment	10	5	—
—Gain from barter transactions	(6,618)	(7,472)	(2,059)
—Share-based compensation	2,099	2,233	2,096
—Increase/(decrease) in fair value of warrants	—	710	(1,531)
—Share of loss / (income) from equity investee	7	45	(25)
—Investment income on short-term investments	—	(2)	(356)
—Impairment of intangible assets	—	—	808
—Deferred taxes	(1,783)	(123)	(822)
—Deferred government grants	(101)	(1,363)	(1,284)
Changes in operating assets and liabilities:			
—Accounts receivable	(19,857)	(17,831)	13,655
—Prepayments and other assets	(2,999)	(458)	(333)
—Due from/to related parties	(50)	310	(96)
—Accounts payable	1,480	3,428	5,924
—Deferred revenue	4,914	8,543	12,630
—Income tax payable	—	2,362	116
—Accrued liabilities and other payables	6,603	10,873	(1,916)
Net cash generated from operating activities	**18,277**	**59,914**	**85,533**
Cash flows from investing activities			
Acquisition of property and equipment	(4,220)	(7,447)	(7,372)
Proceeds from disposal of fixed assets	(3)	5	—
Purchase of short-term investments	—	(6,523)	(246,153)
Proceeds from investment income of short-term investments	—	2	—
Proceeds from disposal of short-term investment	—	—	213,506
Purchase of intangible assets	(32,048)	(32,554)	(36,005)
Acquisition of long-term investments	(429)	(952)	(1,390)
Loan to employees	(175)	(2,021)	(856)
Advance to a shareholder	—	—	(82)
Net cash used in investing activities	**(36,875)**	**(49,490)**	**(78,352)**
Cash flows from financing activities			
Issuance of preferred shares	29,400	32,481	—
Issuance of Series D warrants	—	3,007	—
Proceeds from bank borrowings	20,632	20,519	—
Repayment of bank borrowings	—	(41,151)	—
Governments grants received	—	2,836	2,487
Net cash generated from financing activities	**50,032**	**17,692**	**2,487**
Net increase in cash and cash equivalents	**31,434**	**28,116**	**9,668**
Cash and cash equivalents at beginning of year	21,353	53,349	81,906
Effect of exchange rates on cash and cash equivalents	562	441	2,332
Cash and cash equivalents at end of year	**53,349**	**81,906**	**93,906**
Supplemental disclosure of cash flow information			
Interests paid	301	1,438	—
Non cash investing and financing activities			
—Acquisition of property and equipment in form of other payables	441	1,344	4,157
—Purchase of intangible assets in form of accounts payable	15,314	25,048	25,695
—Acquisition of intangible assets in form of barter transactions	6,189	6,650	4,058
—Acquisition of equity investments in form of other payables	159	—	—
—Beneficial conversion feature of Series C convertible preferred shares from their modifications	—	286	—
—Deemed contribution from Series C preferred shareholders	—	(2,979)	—
—Accretion to Series D preferred shares redemption value	—	3,509	4,300

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

Xunlei Limited
Notes to consolidated financial statements
(Amounts in US dollars unless otherwise stated)

1. Organization and nature of operations

Xunlei Limited (the "Company") was incorporated under the law of Cayman Islands ("Cayman") as a limited liability company on February 3, 2005 under the name of Giganology Limited. On December 30, 2010, the shareholders of the Company approved the change of the name of the Company from Giganology Limited to Xunlei Limited and it was registered with the relevant authority on January 28, 2011.

The accompanying consolidated financial statements include the financial statements of the Company, its subsidiaries, its variable interest entity ("VIE") and the VIE's subsidiaries (collectively referred to as the "Group") as follows:

Name of entities	Place of incorporation	Date of incorporation	Relationship	% of direct or indirect economic ownership	Principal activities
Shenzhen Xunlei Networking Technologies, Co., Ltd ("Shenzhen Xunlei").	China	January 2003	VIE	100%	Development of software, provision of online and related advertising, membership subscription and online game services; as well as sales of software licenses
Giganology (Shenzhen) Co. Ltd ("Giganology Shenzhen").	China	June 2005	Subsidiary	100%	Development of computer software and provision of information technology services to related companies
Shenzhen Fengdong Networking Technologies, Co., Ltd. ("Fengdong")	China	December 2005	VIE's subsidiary	100%	Development of software for related companies
Shenzhen Xunlei Kankan Information Technologies Co., Ltd. (formerly known as "155 Networking (Shenzhen) Co., Ltd.")	China	August 2008	VIE's subsidiary	100%	Development of software for related companies
Shenzhen Wangfeng Networking Technologies, Co., Ltd. ("Wangfeng")	China	December 2008	Subsidiary	100%	note a
Xunlei Software (Beijing) Co., Ltd ("Xunlei Beijing").	China	June 2009	VIE's subsidiary	100%	Development of software for related companies

Name of entities	Place of incorporation	Date of incorporation	Relationship	% of direct or indirect economic ownership	Principal activities
Xunlei Software (Shenzhen) Co., Ltd ("Xunlei Software")	China	January 2010	VIE's subsidiary	100%	Provision of software technology development for related companies
Xunlei Software (Nanjing) Co., Ltd. ("Xunlei Nanjing")	China	January 2010	VIE's subsidiary	100%	Development of computer software and online games for related companies and provision of advertising services (note b)
Xunlei Games Development (Shenzhen) Co., Ltd.	China	February 2010	VIE's subsidiary	70%	Development of online game and computer software for related companies and provision of advertising services
Xunlei Network Technologies Limited ("Xunlei BVI")	British Virgin Islands	February 2011	Subsidiary	100%	Holding company
Xunlei Network Technologies Limited ("Xunlei HK")	Hongkong	March 2011	Subsidiary	100%	Development computer software of related companies and provision of advertising services
Xunlei Computer (Shenzhen) Co., Ltd ("Xunlei Computer")	China	November 2011	Subsidiary	100%	Development of computer software and provision of information technology services to related companies
Shenzhen Wangxin Technologies Co., Ltd	China	September 2013	VIE's subsidiary	100%	Development of computer software and provision of information technology services to related companies

note a: In January 2011, the equity owners of Wangfeng resolved to liquidate the subsidiary. In March 2011, Wangfeng was approved to be de-registered by the relevant government authorities. There was no significant financial impact to the consolidated financial statements of the Group.

note b: In January 2011, the equity owners of Xunlei Nanjing resolved to liquidate the subsidiary. In May 2012, Xunlei Nanjing was approved to be de-registered by the relevant government authorities. There was no significant financial impact to the consolidated financial statements of the Group.

note c: The English names of the PRC companies represent management's translation of the Chinese names of these companies as these companies have not adopted formal English names.

The Group engages primarily in the provision of online advertising services on its websites, premium downloading services to its members, online video sharing and distribution and online game platforms for game developers and users.

Prior to September 2005, the business of the Group was operated through Shenzhen Xunlei. Shenzhen Xunlei is an enterprise established in China which was directly or indirectly owned by Mr. Sean Shenglong Zou and Mr. Hao Cheng, who are the founders of Shenzhen Xunlei, and

Ms. Fang Wang and IDG Technology Venture Investment III, L.P. by then. In September 2005, the Group initiated a restructuring in conjunction with the issuance of Series A and Series A-1 convertible preferred shares to Joinway Investments Limited and Morningside Technology Investments Limited by the Company (the "Restructuring"). The Restructuring was completed in December 2005 and was necessary to comply with PRC laws and regulations that prohibit or restrict foreign ownership of companies that provide online advertising services, operate online games, and hold Internet Content Provider ("ICP") license and the License for Transmission of Audio-Visual Programs through the internet ("the Licenses").

As a result of the Restructuring, the Company received all of the economic benefits and residual interest and absorbed all of the risks and expected losses from Shenzhen Xunlei through the various agreements enacted among the Company, Giganology Shenzhen, a wholly owned subsidiary of the Company, Shenzhen Xunlei and legal shareholders of Shenzhen Xunlei.

Details of certain key agreements with the VIE are as follows:

—**Loan Agreements** between Giganology Shenzhen and the shareholders of Shenzhen Xunlei—Giganology Shenzhen provided interest-free loans of RMB 9 million to the shareholders of Shenzhen Xunlei for them to make contributions as registered capital into Shenzhen Xunlei. The term of these agreements last for two years from the date it was signed, and will be automatically extended afterwards on a yearly basis until each shareholder of Shenzhen Xunlei has repaid the loans in its entirety in accordance with the loan agreement. The shareholders would not be allowed to transfer their interests in Shenzhen Xunlei without prior consent of Giganology Shenzhen. According to the loan agreements, the loans can only be repaid in the form of common shares of Shenzhen Xunlei. At any time during the term of the loan agreements, Giganology Shenzhen may, at their sole discretion, requires any of the shareholders of Shenzhen Xunlei to repay all or any portion of their outstanding loan under the agreement.

Under a separate loan agreement between Giganology Shenzhen and Mr. Sean Shenglong Zou as a shareholder of Shenzhen Xunlei, Giganology Shenzhen made an additional interest-free loan of RMB20 million to Mr. Sean Shenglong Zou, the entire amount of which was contributed to the registered capital of Shenzhen Xunlei, increasing the registered capital of Shenzhen Xunlei to RMB30 million. The term of this agreement last for two years from the date it was signed, and will be automatically extended afterwards on a yearly basis until Mr. Zou has repaid the loan in its entirety in accordance with the loan agreement. This loan will be deemed to be repaid when all equity interest held by the shareholders in Shenzhen Xunlei has been transferred to Giganology Shenzhen or its designated parties. At any time during the term of this loan agreement, the Company may, at their sole discretion, require all or any portion of the outstanding loan under the agreement to be repaid.

—**Business Operation Agreements** between Giganology Shenzhen and Shenzhen Xunlei—Under these agreements, Giganology Shenzhen has the rights to direct the operating activities of Shenzhen Xunlei, including the appointment of senior management. The shareholders of Shenzhen Xunlei also transferred all their shareholders' rights to Giganology Shenzhen. The term of this agreement will expire in 2016 and may be extended with Giganology Shenzhen's confirmation prior to the expiration date. For instance, in May 2011, Shenzhen Xunlei sought and obtained consent from Giganology Shenzhen and the Company to increase its registered capital by RMB20 million and to revise its articles of association accordingly. The term of this

agreement will expire in 2016 and may be extended with Giganology Shenzhen's confirmation prior to the expiration date.

—**Equity Pledge Agreement** between Giganology Shenzhen and the shareholders of Shenzhen Xunlei—Under this agreement, the shareholders of Shenzhen Xunlei pledged all of their equity interests in Shenzhen Xunlei to Giganology Shenzhen. If Shenzhen Xunlei and/or its shareholders breach their contractual obligations under this agreement, Giganology Shenzhen, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

—**Power of Attorney**—Each shareholder of Shenzhen Xunlei appointed Giganology Shenzhen as its attorney-in-fact to exercise their shareholders' rights in Shenzhen Xunlei, including shareholders' voting rights. Each power of attorney will remain in force for 10 years unless the business operation agreement among Giganology Shenzhen, Shenzhen Xunlei and the shareholders of Shenzhen Xunlei is terminated in advance. This period may be extended at Giganology Shenzhen's discretion.

—**Service Agreements** between Giganology Shenzhen and Shenzhen Xunlei—Under various service agreements, Giganology Shenzhen will provide services including technical support, training, as well as consulting services to Shenzhen Xunlei in exchange for a service fee. These service agreements include the Exclusive Technology Support and Services Agreement, the Exclusive Technology Consulting and Training Agreement and the Software and Proprietary Technology License Contract. Giganology Shenzhen is entitled to service fees equal to 20%, 20% and 40% of the pre-tax operating profit of Shenzhen Xunlei according to the terms and provisions of these agreements, respectively (in aggregate 80% of pre-tax operating profit of Shenzhen Xunlei). In addition, these agreements also allow both parties to review and adjust the above mentioned percentage every six months according to the business operation and income of Shenzhen Xunlei so as to enable Giganology Shenzhen to extract substantially all the after tax operating profit of Shenzhen Xunlei. The amount of service fees payable from Shenzhen Xunlei to Giganology Shenzhen for the years ended December 31, 2011, 2012 and 2013 was USD nil, USD 1,494 thousand and USD nil, respectively.

For the Exclusive Technology Support and Services Agreement and the Exclusive Technology Consulting and Training Agreement, the term of these agreements will expire in 2025 and may be extended with Giganology Shenzhen's written confirmation prior to the expiration date. Giganology Shenzhen is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Shenzhen Xunlei.

For the Proprietary Technology License Contract, the term of this contract will expire in 2022 and may be extended with Giganology Shenzhen's written confirmation prior to the expiration date. Giganology Shenzhen grants Shenzhen Xunlei a non-exclusive and non-transferable right to use Giganology Shenzhen's proprietary technology. Shenzhen Xunlei can only use the proprietary technology to conduct business according to its authorized business scope. Giganology Shenzhen or its designated representative(s) owns the rights to any new technology developed due to implementation of this contract.

—**Intellectual properties purchase option agreement** between Giganology Shenzhen and Shenzhen Xunlei. Giganology Shenzhen has an option to acquire Shenzhen Xunlei's intellectual properties at the lowest price permissible by the then-applicable PRC laws and regulation. The

term of this contract will expire in 2022 and may be automatically extended for an additional 10 years at Giganology Shenzhen's discretion.

—**Call Option Agreement**—Giganology Shenzhen has an option to acquire all of the outstanding shares of Shenzhen Xunlei at a purchase price equal to RMB 1 or the lowest price permissible by the then-applicable PRC laws and regulation. The term of the agreement will expire in 2022 and may be extended at Giganology Shenzhen's discretion.

As a result of these agreements (collectively defined as "Structured Service Contracts"), Giganology Shenzhen can exercise effective control over Shenzhen Xunlei, receives all of the economic benefits and residual interest and absorbs all of the risks and expected losses from Shenzhen Xunlei as if it were the sole shareholder, and has an exclusive option to purchase all of the equity interest in Shenzhen Xunlei at a minimal price. Therefore, Giganology Shenzhen is considered the primary beneficiary of Shenzhen Xunlei and accordingly Shenzhen Xunlei's results of operations, assets and liabilities have been consolidated in the Company's financial statements.

On December 24, 2013, for the purposes of developing the Group's computer software and information technology capability, Shenzhen Xunlei and Xunlei Computer entered into a technology development and software licenses framework agreement. The term of the agreement is two years from the date of its execution. Under this framework agreement, Xunlei Computer provides Shenzhen Xunlei with technology development services according to Shenzhen Xunlei's business needs. Any new intellectual property resulting from the technology development services is owned by Xunlei Computer, and cannot be substituted or sub-licensed to any third party by Shenzhen Xunlei without the prior written consent of Xunlei Computer. The framework agreement signed between Shenzhen Xunlei and Xunlei Computers does not have an impact on the Structured Services Contracts with Shenzhen Xunlei.

Share split

On January 21, 2011, the Company effected a 4 for 1 share split of all of its outstanding common shares and a proportional adjustment to the existing conversion ratios for preferred Series A, Series A-1 and Series B shares.

2. Summary of significant accounting policies

(a) Basis of presentation and use of estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

The Restructuring was accounted for at historical costs. The assets and liabilities of Shenzhen Xunlei are consolidated in the Company's financial statements at carryover basis.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and related disclosures. Actual results could differ materially from these estimates. Significant accounting estimates reflected in the Group's consolidated financial statements mainly include the useful lives of property and equipment, allowance for

doubtful accounts, valuation allowance of deferred tax assets, sales rebate to advertising agencies, amortization period of online game revenue, amortization of content copyrights, fair value of content copyrights exchange, and impairment assessment of long-lived assets. In addition, the Group uses assumptions in a valuation model to estimate the fair value of share options granted, warrants issued and underlying common shares.

Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, VIE for which the Company is the primary beneficiary and its subsidiaries. All significant transactions and balances among the Company, its subsidiaries, VIE and its subsidiaries have been eliminated upon consolidation.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one-half of the voting power, or has the power to appoint or remove the majority of the members of the board of directors to cast majority of votes at meetings of the board of directors or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

An entity is considered to be a VIE if the entity's equity holders do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

The Group consolidates entities for which the Company is the primary beneficiary if the entity's equity holders do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

In determining whether the Company or its subsidiary is the primary beneficiary of a VIE, the Company considered whether it has the power to direct activities that are significant to the VIE's economic performance, including the power to appoint senior management, right to direct company strategy, power to approve capital expenditure budgets, and power to establish and manage ordinary business operation procedures and internal regulations and systems.

Management has evaluated the contractual arrangements among Giganology Shenzhen, Shenzhen Xunlei and its shareholders and concluded that Giganology Shenzhen receives all of the economic benefits and absorbs all of the expected losses from Shenzhen Xunlei and has the power to direct the aforementioned activities that are significant to Shenzhen Xunlei's economic performance, and is the primary beneficiary of Shenzhen Xunlei. Therefore, Shenzhen Xunlei and its subsidiaries' results of operation, assets and liabilities have been included in the Group's consolidated financial statements. Management monitors the regulatory risk associated with these contractual arrangements. See Note 24 for further discussion.

Non-controlling interests represent the portion of the net assets of a subsidiary attributable to interests that are not owned by the Company. The non-controlling interests are presented in the consolidated balance sheets, separately from equity attributable to the shareholders of the

Company. Non-controlling interests in the results of the Group is presented on the face of the consolidated statements of comprehensive income as an allocation of the total income or loss for the year/period between non-controlling shareholders and the shareholders of the Company.

(c) Foreign currency translation

The Company's reporting and functional currency is the United States Dollar ("USD"). Xunlei BVI and Xunlei HK's functional currency is the USD. The functional currency of other subsidiaries, VIE and its subsidiaries located in the PRC is Renminbi ("RMB"), which is their respective local currency. Transactions denominated in foreign currencies are remeasured into the functional currency at the exchange rates prevailing on the transaction dates. Financial assets and liabilities denominated in foreign currencies are remeasured into the functional currency using the applicable exchange rates prevailing at the balance sheet date. The resulting exchange gains and losses from foreign currency transactions are included in other income (loss) within the consolidated statements of comprehensive income.

The Company uses the monthly average exchange rate for the year and the exchange rates at the balance sheet date to translate the operating results and financial position, respectively, of its subsidiaries whose functional currency is other than USD. The resulting translation differences are recorded in cumulated translation adjustments, a component of shareholders' equity.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in bank and time deposits placed with banks or other financial institutions, which have original maturities of three months or less and are readily convertible to known amounts of cash.

(e) Short-term investments

Short-term investments include deposits placed with banks with original maturities of more than three months but less than one year and investments in financial instruments with a variable interest rate indexed to the performance of underlying assets. In accordance with *ASC 825 Financial Instruments*, for investments in financial instruments with a variable interest rate indexed to performance of underlying assets, the Group elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in the fair value are reflected in the consolidated statements of comprehensive income. Interest generated from short term investments are recorded when interest payments are received at the maturity date. It is recorded as "other income" on the statement of comprehensive income and measured based on the actual amount of interest the Group received.

(f) Fair value of financial instruments

The Group's financial instruments consist principally of cash and cash equivalents, short-term investments, accounts receivable, other receivables, amounts due from/(to) related parties, accounts payable, other payables and warrants liabilities. The carrying value of these balances, with the exception of short-term investments (see note 2 (e)), approximates their fair value due to the current and short term nature of these balances.

(g) Accounts receivable, net

Accounts receivable are presented net of allowance for doubtful accounts. The Company evaluates the creditworthiness of each customer at the time when services are rendered and continuously monitor the recoverability of the accounts receivable.

The Group uses specific identification method in providing for bad debts when facts and circumstances indicate that collection is doubtful and a loss is probable and estimable. If the financial conditions of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. The allowance for doubtful accounts is based on the best facts available and are re-evaluated and adjusted on a regular basis as additional information is received.

Some of the factors that the Company considers in determining whether a bad debt allowance is recorded on an individual customer are:

- the customer's past payment history and whether it fails to comply with its payment schedule;
- whether the customer is in financial difficulty due to economic or legal factors;
- a significant dispute with the customer has occurred;
- other objective evidence which indicates non-collectability of the accounts receivable.

The allowances provided for Accounts Receivable as of December 31, 2012 and 2013 were USD7.9 million and USD12.1 million, respectively.

If the Company determines that an allowance is needed for a customer, the Company will discontinue business with them unless they start to resume payment. The accounts receivable is written-off when the Company ceases pursuing collection. Any changes in the estimates may cause the Company's operating results to fluctuate.

(h) Long-term investments

The Group holds investments in privately held companies. The Group accounts for these investments over which it has significant influence but does not own a majority equity interest or otherwise control using the equity method of accounting. For investments in an investee over which the Group does not have significant influence and of which the investee has no readily determinable fair value, the Group carries the investment using the cost method. Under the cost method, the investment is measured initially at cost. The investment carried at cost should recognize income when dividends are received from the distribution of the investee's earnings. The Group assesses its long-term investments for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, operating performance of the companies, including current earnings trends and undiscounted cash flows, and other company-specific information. The fair value determination, particularly for investments in privately-held companies, requires significant judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investments and determination of whether any identified impairment is other-than-temporary. During the years ended December 31, 2011, 2012 and 2013, the Group did not impair any of its long-term investments.

(i) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated using the straight-line method over their estimated useful lives. Residual rate is determined based on the economic value of the equipment at the end of the estimated useful lives as a percentage of the original cost.

	Estimated useful lives	Residual rate
Servers and network equipment	5 years	5% - 10%
Computer equipment	5 years	5%
Furniture, fittings and office equipment	5 years	5%
Motor vehicles	5 years	5%
Leasehold improvements	shorter of lease term or 3 years	—

Repair and maintenance costs are expensed as incurred. Expenditures that substantially increase an asset's useful life are capitalized. Upon sale or disposition, gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of operations. The cost and related accumulated depreciation and amortization are removed from the financial statements.

(j) Intangible assets

I) Content copyrights

Licensed copyrights of movies, TV series and variety shows (collectively "Content Copyrights") are capitalized when 1) the cost of the content is known 2) the content has been accepted by the Group in accordance with the conditions of the license agreement and 3) the content is available for its first showing on the Group's website. Content Copyrights are carried at cost less accumulated amortization and impairment loss, if any.

The Group has two types of Content Copyrights, 1) non-exclusive Content Copyrights and 2) exclusive Content Copyrights. With non-exclusive Content Copyrights, the Group has the right to broadcast the contents on its own websites. While, with exclusive Content Copyrights, besides the broadcasting right, the Group also has the right to sub-license these exclusive Content Copyrights to third parties.

For non-exclusive Content Copyrights, which only generates primarily indirect cash flows, the amortization method is based on the analysis of historical viewership consumption patterns.

The Group determines consumption patterns by tracking the number of viewers watching the content throughout its life cycle. This information is then aggregated to come up with a viewership trend that can support an appropriate method to amortize non-exclusive Content Copyrights. The Group generally categorize the Group's contents in the Xunlei Kankan website into three broad categories, namely movies; TV series; and variety shows and others, which include reality shows, talent shows, talk shows and entertainment news. Prior to April 1, 2011, the Group concluded there was insufficient historical viewership data to support a demonstrative pattern in viewership of the Group's non-exclusive Content Copyrights. Therefore, the Group have determined that a straight-line method of amortization over the estimated useful lives of the related non-exclusive Content Copyright provides the right level of expenses attribution. Effective April 1, 2011, based on an accumulation of data gathered on

historical viewing patterns of the non-exclusive Content Copyrights, the Group revised the method to amortize new release of non-exclusive Content Copyrights over the shorter of estimated useful lives or their respective licensing periods using an accelerated method based on consumption patterns. Estimates of the consumption patterns for these non-exclusive Content Copyrights are reviewed periodically and revised, if necessary.

Exclusive Content Copyrights generate both direct and indirect cash flows. For the portion of exclusive Content Copyrights that generate indirect cash flows, prior to April 1, 2011, these contents were amortized on a straight-line method based on the discussion above. Effective April 1, 2011, the Group uses the amortization method based on the analysis of historical viewership consumption patterns, which is the same with that of non-exclusive Content Copyright as discussed above.

This change in accounting estimate for non-exclusive Content Copyrights and exclusive Content Copyrights that generate indirect cash flows decreased net income and basic net income per share by USD 1,368 thousand and USD 0.02, respectively, for the year ended December 31, 2011.

For the portion of exclusive Content Copyrights that generates direct cash flows, the Group amortizes the purchase costs using an individual-film-forecast-computation method, which amortizes such costs based on the ratio of sub-licensing revenue and barter transaction gain (details described in Note 2(o)) generated for the current period to the total ultimate direct revenue estimated to be generated by the exclusive Content Copyrights for their whole license period or estimated useful lives. The Group revisits the forecast at each quarter or year end and makes adjustment, when appropriate.

II) Other intangible assets

Other intangible assets, which include computer software, internal use software development costs, online game licenses, domain names and land use right, are carried at cost less accumulated amortization and impairment loss, if any. Exclusive game licenses are amortized using the straight-line method over their licensing period of three years. Computer software, internal use software and domain name are amortized using the straight-line method over their estimated useful life of five years. Land use right is amortized using the straight-line method over their estimated useful life of thirty years.

(k) Impairment of long-lived assets

The Group evaluates the program usefulness of non-exclusive Content Copyrights and exclusive Content Copyrights pursuant to the guidance in ASC 920-350 Intangible—Goodwill and Other: Recognition, which provides that such rights be reported at the lower of unamortized cost or estimated net realizable value.

For non-exclusive Content Copyrights which only generate indirect cashflows, the Group evaluates the net realizable value of the content library by its three content categories (i.e. movies, TV series, variety shows and others). If management's expectations of programming usefulness, which represents the expected revenues and related net cash flows derived from the contents, are revised downward, they assess whether it is necessary to write down the unamortized costs to estimated net realizable value. The Group evaluates programming usefulness by category on an annual basis by comparing the unamortized cost to the estimated net realizable value. On a quarterly basis, the Group also monitors whether there are indicators of changes in their expected usage of program materials.

The Group estimates net realizable value using expected net cash flows of the content based on expected future levels of advertising revenues. Such estimates consider historical amounts and anticipated levels of demand. Expected future revenues are reduced by estimated direct costs to provide access to the website and generate the related revenue, including bandwidth costs and server costs. For purposes of estimating revenues for each category of content, the Group considers both expected future advertising revenues sold based on number of impressions delivered as well as advertising sold based on the period of time that it is displayed.

For exclusive Content Copyrights that generate both direct and indirect cash flows, the Group evaluates the net realizable value of the Group's licensed copyright on a content by content basis. Impairment is assessed on an annual basis by comparing the unamortized cost to the Group's estimated net realizable value. The Group estimates the net realizable value using expected net cash flows based on expected future levels of advertising and content sub-licensing revenues. For expected future levels of advertising revenue, the Group uses the same estimation methodology used for the impairment assessment of non-exclusive Content Copyrights.

For both exclusive and non-exclusive Content Copyrights, there were no impairments for the years ended December 31, 2011, 2012 and 2013 because a significant portion of the contents was related to movies and TV series, of which approximately 70% to 90% of the purchase costs of the Content Copyrights had already been amortized during the first year of the licensed period. As such, the unamortized carrying amounts were lower than the respective net realizable values when the impairment assessment was performed.

For other long-lived assets, the Group evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. The Group assesses the recoverability of the long-lived assets by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to be received from use of the assets and their eventual disposition at the lowest level of identifiable cash flows. Such assets are considered to be impaired if the sum of the expected undiscounted cash flows is less than the carrying amount of the assets. If the Group identify an impairment, the carrying value of the asset will be reduced to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values. The impairment of online game license were USD nil, USD nil and USD 808 thousand as of December 31, 2011, 2012 and 2013.

(l) Commitments and contingencies

In the normal course of business, the Group is subject to contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters. Liabilities for such contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. In regards to legal cost, the Group recorded such costs as incurred.

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Group, but which will only be resolved when one or more future events occur or fail to occur. The Group's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss

contingencies related to legal proceedings that are pending against the Group or unasserted claims that may result in such proceedings, the Group, in consultation with its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Group's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

(m) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease are charged to the statements of comprehensive income on a straight-line basis over the period of the lease.

(n) Revenue recognition

The Group generates revenues from various streams. The Group operates a prepaid virtual items system, under which, prepaid virtual items at fixed face value are sold to third parties. Virtual items purchased can be used to subscribe for membership or purchase of virtual items in online games, as discussed below. Virtual items sold but not yet consumed by the users are recorded as "Receipts in advance from customers" and upon consumption, they are recognized as membership subscription and online game revenue according to the respective prescribed revenue recognition policies addressed below.

I) Subscription revenues

The Group operates a VIP membership program where VIP members can have access to high speed online acceleration services, online streaming and other access privileges. The membership fee is time-based and is collected up-front from subscribers except in the cases when they elect to pay via their mobile operators. The membership fee is collected when the subscribers pay for the monthly phone bills. The terms of time-based subscriptions range from one month to twelve months, with the subscribers having the option to renew the contract. The receipt of subscription fee is initially recorded as deferred revenue and revenue is recognized ratably over the period of subscription as services are rendered. Unrecognized portion beyond 12 months from balance sheet date is classified as a long-term liability. The Group evaluated the principal versus agent criteria and determined that the Group is the principal in the transaction and accordingly record revenue on a gross basis. In determining whether to report revenues gross for the amount of subscription revenue, the Group assesses whether it maintains the principal relationship with the VIP members, whether it bears the credit risk and whether it establishes prices for the end users. Service fees levied by online system, fixed phone line and mobile payment channels ("Payment Handling Fees") are recorded as the cost of revenues in the same period as the revenue for the membership fee is recognized.

II) Advertising revenues

Advertising revenues are derived principally from arrangements where the customers pay to place their advertisements on the Group's platform in different formats over a particular period of time. Such formats generally includes but not limited to videos, banners, links, logos and buttons. Advertisements on the Group's platform are generally charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided The Group enters into advertising contracts with third party advertising agencies that represents advertisers, as well as directly with advertisers. A typical contract term would range from a few days to 3 months. Both third party advertising agencies and direct advertisers are generally billed at the end of the display period and payments are due usually within 3 months.

Where the Group's customers purchase multiple advertising spaces with different display periods in the same contract, the Group allocates the total consideration to the various advertising elements based on their relative fair values and recognize revenue for the different elements over their respective display periods. The Group determines the fair values of different advertising elements based on the prices charged when these elements were sold on a standalone basis. The Group recognizes revenue on the elements delivered and defer the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the agreement period, the revenue are recognized on a straight line basis over the contract period.

Transactions with third party advertising agencies

For contracts entered into with third party advertising agencies, the third party advertising agencies will in turn sell the advertising services to advertisers. Revenue is recognized ratably over the contract period of display based on the following criteria:

— There is persuasive evidence that an arrangement exists—the Group will enter into framework and execution agreements with the advertising agencies, specifying price, advertising content, format and timing

— Price is fixed and determinable—price charged to the advertising agencies are specified in the agreements, including relevant discount and rebate rates

— Services are rendered—the Group recognizes revenue ratably over the contract period of display

— Collectability is reasonably assured—the Group assesses credit history of each advertising agency before entering into any framework and execution agreements. If the collectability from the agencies is assessed as not reasonably assured, the Group recognizes revenue only when the cash is received and all the other revenue criteria are met.

The Group provides sales incentives in the forms of discounts and rebates to third party advertising agencies based on purchase volume. As the advertising agencies are viewed as the customers in these transactions, revenue is recognized based on the price charged to the agencies, net of sales incentives provided to the agencies. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

Transactions with advertisers

The Group also enters into advertisement contracts directly with advertisers. Under these contracts, similar to transactions with third party advertising agencies, the Group recognizes revenue ratably over the contract period of display. The terms and conditions, including price, are fixed according to the contract between the Group and the advertisers. The Group also performs credit assessment of all advertisers prior to entering into contracts. Revenue is recognized based on the amount charged to the advertisers, net of discounts.

The Group has estimated and recorded sales rebates provided to the agencies and advertisers of USD 5,493 thousand, USD 7,414 thousand and USD 7,207 thousand for the years ended December 31, 2011, 2012 and 2013, respectively.

III) Other internet value-added services

i) Online game revenues

Users play games through the Group's platform free of charge and are charged for purchases of virtual items including consumable and perpetual items, which can be utilized in the online games to enhance their game-playing experience. Consumable items represent virtual items that can be consumed by a specific user within a specified period of time. Perpetual items represent virtual items that are accessible to the users' account over the life of the online game.

Pursuant to contracts signed between the Group and game developers, revenue from the sale of virtual items are shared based on a pre-agreed ratio for each game. The Group enters into both non-exclusive and exclusive licensing contracts with game developers.

Non-exclusive game licensed contracts

The games under non-exclusive licensed contracts are maintained, hosted and updated by the game developers. The Group mainly provides access to the platform and limited after-sale services to the game players. The determination of whether to record these revenues using the gross or net method is based on an assessment of various factors; the primary factors are whether the Group acts as the principal in offering services to the game players or as agent in the transaction, and the specific requirements of each contract. The Group determined that for non-exclusive game licensed arrangements, the third party game developers are the principal given that the game developers design and develop the game services offered, have reasonable latitude to establish prices of game virtual items, and are responsible for maintaining and upgrading the game content and virtual items. Accordingly, the Group records online game revenue, net of the portion remitted to the game developers.

Given that online games are managed and administered by the game developers for non-exclusive licensed games, the Group does not have access to the data on the consumption details and the types of virtual items purchased by the game players. The Group has adopted a policy to recognize revenues relating to both consumable and perpetual items over the shorter of 1) estimated lives of the games and 2) the estimated lives of the user relationship with the Group, which were approximately two to six months for the periods presented.

Adjustments arising from the changes of estimated lives of virtual items are applied prospectively as such changes are resulted from new information indicating a change in the game player behavioral patterns.

Exclusive licensing game contracts

For exclusive licensing contracts with game developers, the games are maintained and hosted by the Group. Accordingly, the Group is determined to be the principal, the Group records online game revenue on a gross basis, with the amount remitted to the game developers reported as cost of revenue. Payment Handling Fees are recognized as cost of revenues when the related revenues are recognized.

For exclusive licensed games which are maintained on the Group's server, the Group has access to the data on the consumption details and types of virtual items purchased by the game players. The Group does not maintain information on consumption details of virtual items, and only have limited information related to the frequency of log-ons. Given that a substantial portion of the virtual items purchased by the game players in exclusive licensed games are perpetual items, management determine that it would be most appropriate to recognize the related revenue over the shorter of 1) estimated lives of the games and 2) the estimated lives of the user relationship with the Group, which were approximately three months for the periods presented. Revenues relating to consumable items are recognized immediately upon consumption.

Game players can purchase prepaid virtual items which can be used to purchase virtual items via online channels. The Group incurs service fees levied by those payment channels, and such payment expenses are recorded as the cost of revenues when the related revenues are recognised.

For both non-exclusive and exclusive licensed games, the Group estimates the life of virtual items to be the shorter of the estimated lives of the games and the estimated lives of the user relationship. The estimated user relationship period is based on data collected from those users who have purchased virtual items. To estimate the life of the user relationship, the Group maintains a software system that captures the following information for each user: the date of first log-in, the date of first purchase for a virtual item, the date of last purchase for a virtual item and the date the user ceases to play the game. The Group estimates the life of the user relationship to be the average period from the first purchase of a virtual item to the date the user ceases to play the game. The estimate of the life of the user relationship is based only on the data of those users who have purchased virtual items and is made on a game-by-game basis.

To estimate the life of the games, the Group considers both games that they operate as well as games in the market that are of a similar nature. The Group categorizes these games by their nature, such as simulation games, role playing games and others, which appeal to players belonging to different demographics. The Group estimates that the life of each group of the games to be the average period from the date of launch for such games to the date the games are expected to be removed from the website or terminated altogether. When the Group launches a new game, they estimate the life of the game and user relationship based on lives of other similar games in the market until the new game establishes its own history. The Group also considers the game's profile, attributes, target audience, and its appeal to players of different demographic groups in estimating the user relationship period.

The consideration of user relationship with each online game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Adjustments arising from the changes of estimated lives of virtual items are applied

prospectively as such changes are resulted from new information indicating a change in the game player behavioral patterns. Any changes in the estimates of lives of virtual items may result in the Group's revenues being recognized on a basis different from prior periods and may cause the Group's operating result to fluctuate. The Group periodically assesses the estimated lives of the virtual items and any changes from prior estimates are accounted for prospectively. Any adjustments arising from changes in user relationship as a result of new information will be accounted as a change in accounting estimate in accordance with ASC 250 Accounting Changes and Error Corrections.

ii) Content sub-licensing revenue

With the exclusive Content Copyrights, the Group has the right to sub-license the broadcasting rights to third parties. The Group generates revenue from sub-licensing these broadcasting rights on a recurring basis to third party customers for cash, mainly video streaming internet platforms, for cash payments at a fixed rate for a fixed period of time that falls within the original exclusive license period. Revenue is recognized in full at the later of the delivery of the master copy of the content with acceptance acknowledged by the customers and the commencement of the license period, as the Group is not obliged to provide any other services. The Group performs credit assessment of its customers prior to entering into contracts to ensure that collection of the arrangement fee is reasonably assured. There is no ongoing obligation of the Group after delivery of the master copy of the content. The Group recognized content sub-licensing revenue of USD 14,820 thousand, USD 15,234 thousand and USD 7,369 thousand for the years ended December 31, 2011, 2012 and 2013, respectively.

iii) Pay per view subscription revenue

The Group operates a pay per view subscription program in which subscribers pay a monthly fee to watch and have access to a collection of movie contents. The subscription fee is time-based and is collected up-front from subscribers except in the cases where they elect to pay via their mobile operators. The subscription fee is collected when the subscribers pay for their monthly phone fees. The terms of time-based subscriptions range from one month to twelve months, with the subscribers having the option to renew the contract. The receipt of revenue is initially recorded as deferred revenue and revenue is recognized ratably over the period of subscription as services are rendered.

Viewers can also pay to watch individual movies for an unlimited number of times. Revenue is recognized when the movie is broadcasted to the viewer.

iv) Revenues from traffic referral programs

We entered into contracts with certain third party portals/websites to earn revenue by referencing online traffic to these third party portals/websites. On a monthly basis, the Group receives data on the user traffic and the related monthly revenue from these third party portals/ websites. Under these programs, the Group recognizes its share of revenues based on contractual rates applied to user traffic referred to the advertisements of the third parties.

(o) Barter transactions

The Group also enters into agreements with third parties (mainly video streaming internet platform) to exchange content. The exchanged content provides rights for each respective party only to broadcast the content received on its own website; though, each party retains the

right to continue broadcasting and or sub-license the rights to the content it surrendered in the exchange. These transactions are non-monetary transactions similar to barter transactions, and the Group follows ASC 845, *Non-Monetary Transactions* and ASC 360-10, *Property, Plant, and Equipment*.

Such barter transactions should be recorded at fair value of the surrendered assets in the transaction unless such fair value are not determinable within reasonable limits. The Group estimated the fair value of the content by gathering "price reference" of cash sub-licensing transactions of each exclusive content right and categorizing it into two buckets (1) cash transaction prices with established counterparties and (2) cash transaction prices with less established counterparties. With this information, the Group calculates an "average cash transaction price" for each category to be used as a reference for the non-monetary transaction. The attributable cost of the related exclusive Content Copyright surrendered is released and recorded as the cost of the barter transaction using the individual-film-forecast computation method. This method calculates such cost based on the ratio of the estimated fair value of the exchanged content over the aggregated estimated fair value to be generated by the exclusive Content Copyrights for their whole license period or estimate useful lives. The Group revisits the forecast at each quarter or year end and make adjustment, when appropriate.

The Group generated net gains amounted to USD1,020 thousand (2011: USD4,742 thousand, 2012: USD4,666 thousand) from barter transactions, which is the net amount of proceeds of USD2,059 thousand (2011: USD6,618 thousand, 2012: USD7,472 thousand), after deducting related allocation of cost of USD915 thousand (2011: USD1,505 thousand, 2012: USD2,380 thousand) and business tax and surcharge of USD124 thousand (2011: USD371 thousand, 2012: USD426 thousand).

(p) Sales and marketing expenses

Sales and marketing expenses comprise primarily of salary, commission and benefits of sales and marketing personnel and external advertising and market promotion expenses. The external advertising and market promotion expenses amounted to approximately USD 3,210 thousand, USD 7,951 thousand and USD 12,247 thousand for the years ended December 31, 2011, 2012 and 2013, respectively.

(q) General and administrative expenses

General and administrative expenses consist primarily of salary and benefits, professional service fees, legal expenses and other administrative expenses.

(r) Research and development costs

The Group incurred research and development costs to develop its downloading software. Costs incurred during the research phase are expensed as incurred. Costs incurred for the development of the downloading software prior to the establishment of technological feasibility, which is when a working model is available, are expensed when incurred. The development costs qualified for capitalization have been immaterial for the periods presented.

The Group also incurred development costs in connection with an internal-use ERP software to further enhance management to monitor the business. While internal and external costs incurred during the preliminary project stage are expensed as incurred, costs relating to activities during the application development stages have been capitalized. During the years ended December 31, 2011, 2012 and 2013, USD 140 thousand, nil and nil software development costs were capitalized as intangible assets, respectively.

In addition, the Group incurred other research and development costs in relation to software used to support its operations. Any development costs qualified for capitalization have been immaterial for the periods presented.

(s) Taxation and uncertain tax positions

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases and tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the difference is expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the carrying amount of deferred tax assets if it is considered more likely than not that some portion, or all, of the deferred tax assets will not be realized. On January 1, 2007, the Group adopted the guidance regarding uncertain tax positions and evaluated its open tax positions that exist in each jurisdiction for each reporting period. If an uncertain tax position is taken or expected to be taken in a tax return, the tax benefit from that uncertain position is recognized in the Group's consolidated financial statements if it is more likely than not that the position is sustainable upon examination by the relevant taxing authority. The Group did not have any significant uncertain tax position and there was no effect on its financial condition or results of operations as a result of implementing the new guidance. The Group recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense, if any. Nevertheless, no interest and penalties were recorded in the years ended December 31, 2011, 2012 and 2013.

Transition from PRC Business Tax to PRC Value Added Tax

Effective September 1, 2012, the Chinese government begun the transition from imposing business tax to imposing of value added tax ("VAT") for revenues generated in certain industries. This program has been expanded from Shanghai to eight other cities and provinces in China, including Beijing and Shenzhen. The Group's advertising and content sub-licensing revenues are subject to this program since November 1, 2012. Business Tax had been imposed primarily on revenues from the provision of taxable services, assignments of intangible assets and transfers of real estate. Prior to the implementation of the pilot program, the Group's Business Tax rate, which varies depending upon the nature of the revenues being taxed, generally ranged from 3% to 5%.

VAT payable on goods sold or taxable labor services provided by a general VAT taxpayer for a taxable period is the net balance of the output VAT for the period after crediting the input VAT for the period. Before the implementation of the Pilot Program, the Group was mainly subject to a small amount of VAT mainly for revenues of the sale of software. VAT has been imposed on those revenues at a rate of 17%. With the implementation of the Pilot Program, in addition to the revenues currently subject to VAT, the Group's advertising and content sub-licensing revenues are in the scope of the Pilot Program and are now subject to VAT at a rate of 6%.

(t) Retirement benefits

Full-time employees of the Company's subsidiaries, consolidated VIE and its subsidiaries in the PRC participate in a government mandated multi-employer defined contribution plan pursuant

to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the subsidiaries and VIEs of the Company make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which are expensed as incurred, were USD1,362 thousand, USD1,930 thousand and USD3,243 thousand for the years ended December 31, 2011, 2012 and 2013, respectively.

(u) Share-based compensation

The Group measures share-based compensation at the grant date based on the fair value of the award determined using the Black-Scholes option pricing model. As the Group has granted share options and restricted shares with service-only condition, the Group elected to recognize compensation costs net of estimated forfeitures on a straight line basis over the requisite service period, which is generally the same as the vesting period. The amount of compensation cost recognized at any date is at least equal to the portion of the grant-date value of the award that is vested at that date.

(v) Government subsidies

The Group receives subsidies from the local PRC government for general use or purchase of equipment. General-use subsidies which are not subject to any conditions or specific use requirements are recorded as subsidy income in the consolidated statements of operations. Subsidies for purchase of equipment are recorded as deferred government grant when received, and are recorded as other income over the expected useful life of the assets after the related equipment has been purchased.

(w) Segment reporting

The Group's Chief Executive Officer has been identified as the chief operating decision maker ("CODM"), who reviews consolidated operating results of the Group when making decisions about allocating resources and assessing performance of the Group as a whole. The Group has internal reporting of revenue, cost and expenses that does not distinguish between segments, and reports costs and expense by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Management has determined that the Group operates and manages its business as a single segment which is the operation of its online media platform. All revenues of the Group are derived from mainland China.

An analysis of the different types of revenues for the years ended December 31, 2011, 2012 and 2013 are summarized as follows:

	Years ended December 31,		
(In thousand)	**2011**	**2012**	**2013**
Subscription revenue	25,574	51,055	86,733
Advertising revenue	38,331	61,795	48,028
Other internet value-added services (note a)	23,566	35,350	45,483
Total	87,471	148,200	180,244

note a: Other internet value-added services comprise of online game revenue, content sub-licensing revenue, pay per view subscription revenue, revenue from traffic referral programs and sales of software licenses.

(x) Net income / (loss) per share

Basic income / (loss) per share is computed by dividing net income / (loss) attributable to holders of common shares by the weighted-average number of common shares outstanding during the year using the two class method. Using the two class method, net income / (loss) is allocated between common shares and other participating securities based on their participating rights.

Diluted income / (loss) per share is calculated by dividing net income / (loss) attributable to common shareholders as adjusted for the effect of dilutive common equivalent shares, if any, by the weighted-average number of common and dilutive common equivalents shares outstanding during the year. Dilutive equivalent shares are excluded from the computation of diluted income / (loss) per share if their effects would be anti-dilutive. Common share equivalents consist of the common shares issuable in connection with the Group's convertible non-redeemable and redeemable preferred shares using the if-converted method, and common shares issuable upon the conversion of the stock options, using the treasury stock method.

(y) Comprehensive income

Comprehensive income is defined as the change in equity of a Group during the period from transactions and other events and circumstances excluding transactions resulting from investments from shareholders and distributions to shareholders. Accumulated other comprehensive income, as presented on the accompanying consolidated balance sheets, consists of cumulative translation adjustment.

(z) Profit appropriation and statutory reserves

The Group's subsidiaries, consolidated VIE and its subsidiaries incorporated in the PRC are required on an annual basis to make appropriations of retained earnings set at certain percentage of after-tax profit determined in accordance with PRC accounting standards and regulations ("PRC GAAP"). Appropriation to the statutory general reserve should be at least 10% of the after-tax net income determined in accordance with the legal requirements in the PRC until the reserve is equal to 50% of the entities' registered capital. The Group is not required to make appropriation to other reserve funds and the Group does not have any intentions to make appropriations to any other reserve funds.

The general reserve fund can only be used for specific purposes, such as setting off the accumulated losses, enterprise expansion or increasing the registered capital. Appropriations to the general reserve funds are classified in the consolidated balance sheets as statutory reserves.

There are no legal requirements in the PRC to fund these reserves by transfer of cash to restricted accounts, and the Group does not do so.

The following table presents the balances of registered capital, additional paid-in-capital and statutory reserves of entities within the Group incorporated in China as of December 31, 2012

and 2013 for the Group's reporting purpose in China as determined under generally accepted accounting principles in China:

(In thousand)	December 31, 2012	December 31, 2013
Registered capital	41,740	44,532
Additional paid-in capital	161	161
Statutory reserves	3,142	4,478
Total	45,043	49,171

Relevant laws and regulations permit payments of dividends by the PRC subsidiaries and affiliated companies only out of their retained earnings, if any, as determined in accordance with respective accounting standards and regulations. Accordingly, the above balances are not allowed to be transferred to the Company in terms of cash dividends, loans or advances. (See also Note 26).

(aa) Dividends

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2011, 2012 and 2013, respectively. The Group does not have any present plan to pay any dividends on common shares in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business.

(bb) Recent accounting pronouncements

In July 2012, the Financial Accounting Standards Board ("FASB") issued revised guidance on "Testing Indefinite-Lived Intangible Assets for Impairment." The revised guidance applies to all entities, both public and nonpublic, that have indefinite-lived intangible assets, other than goodwill, reported in their financial statements. Under the revised guidance, an entity has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform a quantitative impairment test by comparing the fair value with the carrying amount in accordance with Subtopic 350-30. An entity also has the option to bypass a qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period. In conducting a qualitative assessment, an entity should consider the extent to which relevant events and circumstances, both individually and in the aggregate, could have affected the significant inputs used to determine the fair value of the indefinite-lived intangible asset since the last assessment. An entity also should consider whether there have been changes to the carrying amount of the indefinite-lived intangible asset when evaluating whether it is more likely than not that the indefinite-lived intangible asset is impaired. An entity should consider positive and mitigating events and circumstances that could affect its determination of whether it is more likely than not that the indefinite-lived intangible asset is impaired. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early

adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The Company is currently evaluating the impact on its consolidated financial statements of adopting this guidance.

In February 2013, the FASB issued revised guidance on "Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The revised guidance does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the revised guidance requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The revised guidance is effective prospectively for reporting periods beginning after December 15, 2012 for public entities. The revised guidance will not have a material effect on the Company.

In March 2013, the FASB issued accounting guidance related to a parent's accounting for the cumulative translation adjustment upon de-recognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity (ASC 830 Foreign Currency Matters). This guidance requires that the cumulative translation adjustment associated with a qualifying derecognized subsidiary or group of assets be immediately recognized within the income statement by the parent company. This guidance will become effective for the Company on January 1, 2014. The adoption of this guidance is not expected to have a material impact on the Company.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists", which is an update to provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward exists. The guidance requires an entity to present an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, except for when a net operating loss carryforward is not available as of the reporting date to settle taxes that would result from the disallowance of the tax position or when the entity does not intend to use the deferred tax asset for purposes of reducing the net operating loss carry forward. The guidance is effective for fiscal years beginning after December 15, 2013 and for interim periods within that fiscal year. The Company does not expect the adoption of this pronouncement to have a significant impact on its consolidated financial statements.

3. Cash and cash equivalents

Cash and cash equivalents represent cash on hand, cash held at bank, and time deposits placed with banks or other financial institutions, which have original maturities of three months or

less. Cash on hand and cash held at bank balance as of December 31, 2012 and 2013 primarily consist of the following currencies:

	December 31, 2012		December 31, 2013	
(In thousand)	Amount	USD equivalent	Amount	USD equivalent
RMB	287,440	45,731	499,034	81,851
USD	36,175	36,175	11,959	11,959
HKD	2	—	749	96
Total		81,906		93,906

Time deposits balance as of December 31, 2012 and 2013 primarily consist of the following currencies:

	December 31, 2012		December 31, 2013	
(In thousand)	Amount	USD equivalent	Amount	USD equivalent
RMB	37,574	5,978	157,860	25,892
USD	—	—	5,000	5,000
Total		5,978		30,892

4. Short-term investments

(In thousand)	December 31, 2012	December 31, 2013
Time deposits	—	9,695
Investments in financial instruments (note)	6,523	31,298
Total	6,523	40,993

Note: the investments were issued by commercial banks in China with a variable interest rate indexed to performance of underlying assets. Since these investments' maturity dates are within one year, they are classified as short-term investments.

For the years ended December 31, 2011, 2012 and 2013, the Group recorded in the consolidated statements of comprehensive income in the fair value change of short-term investments in the amount of nil, USD 2 thousand and USD 356 thousand, respectively. Interest income generated from short term investments are recorded when interest payments are received. It was recorded in "other income" on the statement of comprehensive income and measured based on the actual amount of interest the Group received. For the years ended December 31, 2011, 2012 and 2013, the Group recorded in the consolidated statements of comprehensive income interest income in the amount of nil, nil and USD 1,492 thousand, respectively.

5. Accounts receivable

(In thousand)	December 31, 2012	December 31, 2013
Accounts receivable	59,477	47,386
Less: allowance for doubtful accounts	(7,875)	(12,111)
Accounts receivable, net	51,602	35,275

The accounts receivable that was fully reserved as of December 31, 2012 and 2013 was USD 5.1 million and USD 10.9 million, respectively.

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

(In thousand)	December 31, 2011	December 31, 2012	December 31, 2013
Balance at beginning of the year	1,497	4,150	7,875
Additions	2,745	3,840	4,308
Reversals	(218)	(140)	(373)
Exchange difference	126	25	301
Balance at end of the year	4,150	7,875	12,111

The top 10 customers accounted for about 35% and 40% of accounts receivable as of December 31, 2012 and 2013, respectively.

6. Prepayments and other assets

(In thousand)	December 31, 2012	December 31, 2013
Current portion:		
Advance to suppliers	553	717
Loans to employees (Note a)	2,911	3,578
Advance to employees for business purposes	250	316
Content copyrights prepaid assets (Note b)	1,327	830
Interest receivable	726	118
Rental and other deposits	571	596
Others	97	164
Total of prepayments and other current assets	6,435	6,319
Non-current portion:		
Prepayments for content copyrights	3,393	3,149
Prepayments for online game licenses	299	2,358
Deferred initial public offering costs	—	374
Other receivables	—	196
Total of long-term prepayments	3,692	6,077

Note a: The Group had entered into loan contracts with certain employees as at December 31, 2012 and 2013, under which the Group provided interest free loans to these employees. The loan amounts vary amongst different employees and are repayable on demand.

Note b: Content copyrights prepaid assets are recognized when the Group has yet to receive the content copyrights from the counterparty under a barter transaction but the counterparty has already received the content copyrights from the Group.

7. Property and equipment

Property and equipment consist of the following:

(In thousand)	December 31, 2012	December 31, 2013
Servers and network equipment	21,990	32,108
Computer equipment	1,544	2,097
Furniture, fixture and office equipment	832	889
Motor vehicles	330	340
Leasehold improvements	1,826	2,177
Total original costs	26,522	37,611
Less: Accumulated depreciation	(11,907)	(17,403)
	14,615	20,208

Depreciation expense recognized for the years ended December 31, 2011, 2012 and 2013 are summarized as follows:

	Years ended December 31		
(In thousand)	2011	2012	2013
Cost of revenues	2,572	3,271	4,317
General and administrative expenses	561	594	690
Sales and marketing expenses	42	129	105
Total	3,175	3,994	5,112

No impairment loss had been recognized for the years ended December 31, 2011, 2012 and 2013.

8. Intangible assets, net

The following table presents the movement in intangible assets:

(In thousand)	December 31, 2012 Cost	Amortization	Net book value	December 31, 2013 Cost	Amortization	Impairment	Net book value
Content Copyrights	92,658	(68,621)	24,037	110,346	(89,396)	—	20,950
—Exclusive	62,983	(43,556)	19,427	84,313	(67,487)	—	16,826
—Non-exclusive (note a)	29,675	(25,065)	4,610	26,033	(21,909)	—	4,124
Land use right				5,298	(78)	—	5,220
Acquired computer software	1,071	(825)	246	1,284	(1,061)	—	223
Internal use software development costs	697	(244)	453	718	(395)	—	323
Online game licenses (note b)	4,186	(1,895)	2,291	5,321	(3,343)	(808)	1,170
Domain name	200	(70)	130	200	(110)	—	90
	98,812	(71,655)	27,157	123,167	(94,383)	(808)	27,976
Less: Copyrights related to content, current portion			(16,490)				(16,018)
			10,667				11,958

note a: Included in non-exclusive Content Copyrights was net book value of USD2,063 thousand and USD1,987 thousand of rights that were acquired from barter transactions as of December 31, 2012 and 2013, respectively. These assets were initially recorded at their respective fair values determined at the time of exchange.

note b: In 2013, indicator of possible impairment triggered the Group to perform an impairment test for one online game license. The impairment test was triggered in quarter 4 by the significant decline in the revenue generated by the one online game. In quarter 4, this online game only generated revenue amounted to USD27 thousand as compared to USD303 thousand in quarter 3 of 2013, which was significantly lower than the Group's expectation. The impairment test was performed using a discounted cash flow analysis that requires certain assumptions and estimates regarding economic and future profitability.

Amortization expense recognized for the years ended December 31, 2011, 2012 and 2013 are summarized as follows:

(In thousand)	Years ended December 31 2011	2012	2013
Cost of revenues	27,044	47,810	36,980
Cost of barter transactions (note 2(o))	1,505	2,380	916
General and administrative expenses	332	388	418
Total	28,881	50,578	38,314

The estimated aggregate amortization expense for each of the next five years as of December 31, 2013 is:

(In thousand)	Content Copyrights	Others
2014	16,018	1,880
2015	4,417	756
2016	515	449
2017	—	224
2018	—	178

The weighted average amortization periods of intangible assets as at December 31, 2012 and 2013 are as below:

(In year)	December 31, 2012	December 31, 2013
Copyrights related to content	2.75	2.83
Land use right	—	30
Acquired computer software	5	5
Internal use software development costs	5	5
Online game licenses	3	3
Domain name	5	5
Total	2.81	4.04

9. Long-term investments

(In thousand)	December 31, 2012	December 31, 2013
Equity method investments:		
Balance at beginning of the year	581	1,488
Additions	951	410
Share of (loss) / income from an equity investee	(45)	25
Exchange differences	1	46
Balance at end of the year	1,488	1,969
Cost method investments:		
Balance at beginning of the year	—	—
Additions	—	980
Balance at end of the year	—	980
Total long-term investments	1,488	2,949

The Group's equity in loss and gain of Zhuhai Qianyou Technology, Co., Ltd. ("Zhuhai Qianyou") in 2012 and 2013 was USD 45 thousand and USD 25 thousand, respectively, and was recognized as loss and gain in equity method investment in the consolidated statements of operations.

As of December 31, 2013, the company holds equity investments in the following investees through Shenzhen Xunlei and Xunlei Software, Zhuhai Qianyou and Guangzhou Yuechuan Network Technology, Co., Ltd. ("Guangzhou Yuechuan"), Chengdu Diting Technology, Co., Ltd. ("Chengdu Diting") and Shenzhen Kushiduo Network Technology, Co., Ltd. ("Shenzhen Kushiduo"). Both Zhuhai Qianyou and Guangzhou Yuechuan were accounted for under the equity method because the Group has one out of three seats on the board of directors of both investees. Chengdu Diting and Shenzhen Kushiduo were accounted for under the cost method due to the fact that the Group does not have significant influence in these companies.

Investee	Percentage of ownership of common share as of December 31, 2012	2013
Zhuhai Qianyou	19%	19%
Guangzhou Yuechuan Network Technology, Co., Ltd. ("Guangzhou Yuechuan")	10%	23.4%
Chengdu Diting Technology, Co., Ltd. ("Chengdu Diting")	—	19.9%
Shenzhen Kushiduo Network Science and Technology Co., Ltd. ("Shenzhen Kushiduo")	—	10%

10. Deferred revenue

(In thousand)	December 31, 2012	December 31, 2013
Online game revenues	1,734	1,650
Membership subscription revenues	16,329	30,051
Pay per view subscription revenues	125	261
Total	18,188	31,962
Less: non-current portion	(2,071)	(2,610)
Deferred revenue, current portion	16,117	29,352

Deferred revenue represents prepaid membership subscriptions under the VIP membership program, prepaid subscriptions under the pay per view program and unamortized portion of online game revenue arising from sales of in-game virtual items.

11. Accrued liabilities and other payables

(In thousand)	December 31, 2012	December 31, 2013
Payroll and welfare	7,641	8,784
Receipts in advance from customers	2,606	2,211
Agency commissions and rebates—online advertising	9,237	9,745
Tax levies	2,262	1,198
Payables for purchase of equipment	1,344	4,157
Payables for advertisement on exclusive online games	2,719	2,797
Legal and litigation related expenses (Note 23)	713	288
Professional fees	919	574
Staff reimbursements	616	1,228
Content copyrights deposits (note a)	63	1,555
Rental expense	167	70
Others	621	800
Total	28,908	33,407

note a: Content copyrights deposits are recognized under a barter transaction when the Group has yet to provide the content copyrights to the counterparty while the Group has received the content copyrights from the counterparty.

12. Cost of revenues

(In thousand)	Years ended December 31, 2011	2012	2013
Bandwidth costs	11,543	22,211	35,454
Content costs, including amortization	27,681	46,671	35,964
Payment handling fees	5,569	8,505	12,401
Depreciation of servers and other equipment	2,572	3,271	4,317
Games revenue sharing costs and others	703	3,354	5,124
Total	48,068	84,012	93,260

13. Redeemable convertible preferred shares

On January 31, 2012, the Company entered into an agreement to issue Series D preferred shares and warrants to a third-party investor for a total consideration of USD37,500 thousand. Pursuant to the agreement, the company issued 10,580,397 series D preferred shares at USD 3.544 per share; and warrants to purchase 2,218,935 Series D preferred shares at USD 3.38 per share at the option of the holders. In addition, the third-party investor also purchased a total of 5,036,367 existing shares directly from other then existing shareholders and they are entitled to the same rights as attached to the respective classes of existing shares.

The key terms of the Series D preferred shares are as follows:

Dividend rights

The holders of the Series D preferred shares are entitled to participate in any dividend pari passu with common shareholders of the Company on an as-converted basis.

Liquidation preferences

Amount shall be paid to Series D holders before any distribution or payment shall be made to the holders of Series A, Series A-1, Series B and C Preferred Shares. If asset for distribution is insufficient to pay off Series D holders, the assets shall be distributed among the holders of Series D in proportion to the full amounts to which they would otherwise be respectively entitled thereon on an as-converted basis.

Voting rights

The holders of the Series D preferred shares shall be entitled to such number of votes equal to the whole number of common shares into which such Series D preferred shares are convertible.

Conversion rights

Each share of the Series D preferred shares is convertible at the option of the holder, at any time after the issuance of such shares, and each share can be converted into one common share of the Company. The conversion is subject to adjustments for certain events, including but not limited to additional equity securities issuance, reorganization, mergers, share dividends, distribution, subdivisions, redemptions, combinations, or consolidation of common shares. The conversion price is also subject to adjustment in the event the Company issues additional common shares at a price per share that is less than such conversion price. In such case, the conversion price shall be reduced to adjust for dilution on a weighted average basis.

In addition, each share of the Series D preferred shares would automatically be converted into common shares of the Company (i) upon the closing of an initial public offering of the Company's shares or (ii) upon written notice to convert given to the Company by the holders of a majority of Series D preferred shareholders.

Redemption Right

The Series D preferred shares are redeemable at any time after the 4th anniversary of the initial closing of February 6, 2012 to request the Company to purchase all Series D preferred shares and shares issuable upon the conversion or exercise of the Series D warrants if an initial public offering is not consummated. This redemption right expires after the 5th anniversary of the initial closing of the transaction. The redemption price shall be equal to the aggregate amount of price paid at USD3.544, plus all declared but unpaid dividends up to the date of redemption plus interest of 8% per annum compounded annually from the closing of the Series D preferred shares investment ("Initial Closing") up to and including the date of redemption.

The Company has determined that the Series D preferred shares should be classified as mezzanine equity. The Series D warrant is initially measured at its fair value and the initial carrying value for Series D preference shares is allocated on a residual basis as it is liability classified. The initial carrying value for Series D preference shares is USD 32,481 thousand, and the related capitalized expense is USD2,012 thousand. There were no beneficial conversion features for the Series D preferred shares.

Due to the redemption feature described above, the Company classified the Series D preferred shares as a mezzanine equity in the consolidated balance sheets. The Company recognized the changes in the redemption value immediately as they occurred and adjusted the carrying amount of the Series D preferred shares to equal the redemption value at the end of each reporting period using the effective interest method. The accretion was recorded against retained earnings, or in the absence of retained earnings, by charging against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges are recorded by increasing the accumulated deficit.

	Years ended December 31,	
(In thousand)	**2012**	**2013**
Beginning balance	—	35,990
Addition	32,481	—
Accretion to redemption value	3,509	4,300
Ending balance	35,990	40,290

Warrants

The exercisable period of Series D warrants is up to the earlier of (i) 24 months from date of Initial Closing or (ii) automatically exercised immediately prior to the closing of the following transactions: (a) mergers or consolidation of the Company, b) initial public offering, c) transaction in which in excess of 50% of the Company's equity is transferred to any person, d) sale, transfer, lease, assignment conveyance, exchange, mortgage, or other disposition of all or substantially all of the assets of the Company. The warrants are not entitled to dividend rights nor to vote until the warrants are exercised and shares become issuable. Series D warrants is classified as a liability and initially measured at their fair value at USD 3,007 thousand. As of December 31, 2012 and 2013, the fair value of Series D warrants were USD 3,717 thousand and USD 2,186 thousand, respectively. For the year ended on December 31, 2012 and 2013, the fair value (loss) / gain recorded were USD 710 thousand and USD 1,531 thousand, respectively.

In determining the fair value of the Series D warrant, the Group relied on, in part a valuation report retrospectively prepared by an independent valuer based on data provided by the Group. The valuation report provided the Group with guidelines in determining the fair value, but the determination was made by the Group. The Group applied the Black-Scholes Option Pricing Model to calculate the fair value of the Series D warrant on the valuation date.

The fair values of warrants as of December 31, 2012 and 2013 were estimated using the following assumptions:

	December 31, 2012	December 31, 2013
Spot price(1)	4.48	4.36
Risk-free interest rate(2)	0.15%	0.05%
Volatility rate(3)	41.2%	30.33%
Dividend yield(4)	—	—

(1) Spot price—based on the fair value of 100 percent equity interest of the Company which is allocated to preferred share and common share of the Company as at the Valuation Date under different scenarios.

(2) Risk-free interest rate—based on the US Treasury Bond & Notes BFV curve from Bloomberg as at the valuation date.

(3) Volatility—based on the average historical volatility of the comparable companies from Bloomberg as at the valuation date.

(4) The Company has no history or expectation of paying dividends on its common shares.

14. Common shares

The Company's Memorandum and Articles of Association authorizes the Company to issue 195,504,449 shares of USD0.00025 par value per common share. Each common share is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, which is subject to the approval by the holders of the number of common shares representing a majority of the aggregate voting power of all outstanding shares. On April 8, 2011, the board of directors approved the cancellation of 56,067,952 treasury shares that has been held by the Company since 2005. As of December 31, 2012 and 2013, there were 61,447,372 common shares outstanding. In November 2013, 9,073,732 shares of USD0.00025 par value per common shares were issued to Leading Advice Holdings Limited, a BVI company owned by the Group's

chairman and chief executive officer for no consideration. While the common shares have been legally issued, the common shares issued to Leading Advice do not have the attributes of unrestricted, issued and outstanding shares. Therefore, these shares issued to Leading Advice are accounted as treasury shares. Please see note 17 for more information.

15. Convertible preferred shares

As at December 31, 2013, the Company had 26,416,560 Series A preferred shares, 36,400,000 Series A-1 preferred shares, 30,308,284 Series B preferred shares and 5,728,264 Series C preferred shares outstanding.

The key terms of the Series A, Series A-1, Series B and Series C preferred shares are as follows:

Dividend rights

The holders of the Series A, Series A-1, Series B and Series C preferred shares are entitled to participate in any dividend pari passu with common shareholders of the Company on an as-converted basis.

Liquidation preferences

In the event of a liquidation, dissolution or winding up of the Company, available assets and funds of the Company are distributed to the holders of the preferred shares in order of 1) Series C and Series B which are grouped as one class for the purpose of liquidation preference, 2) Series A-1 and then 3) Series A, at their respective original issuance price per share plus any declared but unpaid dividends adjusted for share splits, share dividends, recapitalizations, and other adjustments. In the event that available assets and funds are insufficient to permit payment to the holders of the less senior class of preferred shares, the assets and funds will be distributed ratably to that class of preferred shareholders based on their proportional share ownership. After the distribution to the holders of Series C and Series B, Series A-1, Series A preferred shares and common shares are made, any remaining legally available assets and funds shall be distributed to the holders of common shares and Series C and Series B, Series A-1 and Series A preferred shares pro rata on an as-converted basis.

In addition, the following events are deemed liquidation events in which case any proceeds derived from such deemed liquidation events will be distributed in the order discussed above. If no proceeds are derived from such deemed liquidation events, the Series B preferred shareholders shall have the right to require the Company to repurchase all or any of the outstanding Series B preferred shares at the original issue price.

1) Any consolidation or merger of the Company or other corporate reorganization, in which the shareholders of Company own less than a majority of the voting power of the Company or surviving company, after such consolidation, merger or reorganization

2) A sale of other disposition of all or substantially all of the assets of the Company or the Group

3) A transfer or an exclusive licensing of all or substantially all of the intellectual property of the Company

However, all liquidation events or deemed liquidation event have to be approved by a special resolution passed by a duly convened general meeting of the Company, which require presence of a representative from the common shareholders, a representative from Series A-1 preferred shareholders and a representative from Series B preferred shareholders. Accordingly, the Company determined that the deemed liquidation events are within the control of the Company and the Series B preferred shareholders do not have control of the Company. Therefore, the deemed liquidation events do not preclude the Series B preferred shares from being classified within permanent equity.

Voting rights

The holders of the Series A, Series A-1, Series B and Series C preferred shares shall be entitled to such number of votes equal to the whole number of common shares into which such Series A, Series A-1, Series B and Series C preferred shares are convertible.

Conversion rights

Each share of the Series A, Series A-1, Series B and Series C preferred shares is convertible at the option of the holder, at any time after the issuance of such shares, and each share can be converted into one common share of the Company. In addition, each share of the Series A, Series A-1, Series B and Series C preferred shares would automatically be converted into common shares of the Company upon (i) an underwritten public offering of the company's shares on major stock exchanges, including Nasdaq Global Market that results in proceeds to the Company of at least USD 50 million ("QIPO") or (ii) upon written notice to convert given to the Company by the holders of a majority of such class or series of preferred shares in issue, in each case voting as a separate class on an as converted basis, as applicable.

At the time of issuance, the Series A preferred shares issued to one of the shareholders in 2005 contained a beneficial conversion feature of USD 54 thousand and the amount was charged to retained earnings in 2005 as a deemed dividend.

At the time of anti-dilution, the Series C preferred shares anti-diluted in 2012 contained a beneficial conversion feature of USD 286 thousand and the amount was charged to retained earnings in 2012 as a deemed dividend. There were no beneficial conversion features for the other issuance.

In April, 2011, the Company removed the USD 50 million threshold from the definition of QIPO. The removal of the threshold is not expected to have a significant impact to the financial statements of the Company.

None of the preferred shares are redeemable at the holders' option.

Modification

Upon issuance of Series D preferred shares in January 2012 as discussed in note 13, the Company adjusted the Series C conversion price from USD5.24 to USD4.14 per share; and obtained an exclusive option to purchase at any time within 12 months after the date of the conversion for all, but not less than all, of Series C preferred shares at the purchase price of USD4.607 per common share. The Series C conversion price could be adjusted for any share dividends, sub-division and consolidation, and unpaid dividend. As a result of this modification, the Company will issue a total of 7,248,293 common shares on a fully-converted basis of the

original 5,728,264 Series C preferred shares when the conversion right is exercised by the holders. Other terms of the Series C preferred shares including the original liquidation rights remained unchanged.

The Company concluded that the downward conversion price adjustment from USD 5.24 to USD 5.13 is in accordance with the anti-dilution clause in the original Series C financing agreement. The incremental downward price adjustment from USD 5.13 to USD 4.14 and the right to an exclusive purchase option are accounted for as modifications of the terms of Series C preferred shares. The incremental value contributed by the Series C preferred shareholder amounted to USD 2,905 thousand and was deemed to be a wealth transfer between the preferred shareholder and common shareholders and the amount was charged to additional paid-in capital.

In determining the accounting for the modification of the Series C preferred shares, the Group also relied on, in part, a valuation report retrospectively prepared by an independent valuer based on data provided by the Group. The valuation report provided the Group with guidelines in determining the fair value, but the determination was made by the Group. Option-pricing method was used to allocate enterprise value to preferred and ordinary shares, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid, "Valuation of Privately-Held Company Equity Securities Issued as Compensation". The method treats common stock and preferred stock as call options on the enterprise's value, with exercise prices determined based on the liquidation preference of the preferred stock.

The option-pricing method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of the Company or an initial public offering, and estimates of the volatility of the Group's equity securities. The anticipated timing is based on the plans of 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. The Group estimated the volatility of its shares to range from 55.36% to 59.91% based on the historical volatility of comparable publicly traded shares of companies engaged in similar lines of business.

16. Non-controlling interest

Non-controlling interest includes the interest owned by a shareholder of the Company in a subsidiary of the consolidated VIE.

In February 2010, Shenzhen Xunlei set up a new subsidiary named Xunlei Games Development (Shenzhen) Co., Ltd ("Xunlei Games") and holds 70% of its equity interests. A shareholder of the Company contributed RMB 3,000 thousand (equivalent to USD439 thousand) and holds 30% equity interests in Xunlei Games, which was accounted for as a non-controlling interest of the Group.

17. Share-based compensation

2010 share incentive plan

During the years presented, the Company granted share options to employees, officers and directors of the Group. There were no options granted to non-employees as of December 31, 2011, 2012 and 2013.

These options were granted with exercise prices denominated in the USD, which is the functional currency of the Company. The maximum term of any issued stock option is seven or ten years from the grant date. Stock options granted to employees and officers vest over a four-year schedule as stated below:

(1) One-fourth of the options shall be vested upon the first anniversary of the grant date;

(2) The remaining three quarters of the options shall be vested on monthly basis over the next thirty-six months. ($^{1}/_{48}$ of options shall be vested per month subsequently)

Stock options granted to directors were subject to a vesting schedule of approximately 32 months.

All share-based payments to employees are measured based on their grant-date fair values. Compensation expense is recognized on a straight-line basis over the requisite service period.

In December 2010, the Group adopted a share incentive plan, which is referred to as the 2010 Share Option Plan ("the 2010 Plan"). The purpose of the plan is to attract and retain the best available personnel by linking the personal interests of the members of the board, employees, and consultants to the success of the Group's business and by providing such individuals with an incentive for outstanding performance to generate superior returns for our shareholders. Under the 2010 Plan, the maximum number of shares in respect of which options, restricted shares, or restricted share units may be granted is 26,822,828 shares (excluding the share options previously granted to the directors who are the founders of the Company). The amount of shares available for such grants as of December 31, 2013 is 5,850,052.

The following table summarizes the stock option activity for the years ended December 31, 2011, 2012 and 2013:

	Number of shares	Weighted average exercise price (USD)	Weighted-average grant-date fair value (USD)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (in thousands)
Outstanding, December 31, 2010	28,127,770	0.77		5.02	78,654
Granted	2,204,916	3.77	2.50		
Forfeited	(1,030,704)	2.75			
Exercised (note a)	(8,410,200)	—			
Outstanding, December 31, 2011	20,891,782	1.30		3.87	43,068
Granted	320,000	2.73	1.59		
Forfeited	(989,120)	1.72			
Outstanding, December 31, 2012	20,222,662	1.30		2.82	40,788
Granted	1,076,761	3.33	1.27		
Forfeited	(326,647)	3.32			
Outstanding, December 31, 2013	20,972,776	1.37	—	2.03	39,420
Vested and expected to vest at December 31, 2013	20,701,286	1.32	0.40	1.89	41,014
Exercisable at December 31, 2013	19,382,156	1.17	0.31	1.67	40,771

note a—Given that these options were granted with a zero exercise price, the Company did not receive any cash proceed.

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates. Based upon the Company's historical and expected forfeitures for stock options granted, the directors of the Company

estimated that its future forfeiture rate would be 20% for employees and nil for directors and advisors.

The aggregate intrinsic value in the table above represents the difference between the estimated fair value of the Company's common shares as of December 31, 2012 and 2013 and the exercise price.

Total fair values of options vested as of December 31, 2012 and 2013 were USD4,721 thousand and USD6,271 thousand, respectively.

As of December 31, 2012 and 2013, there were USD3,398 thousand and USD2,803 thousand of unrecognized share-based compensation costs related to stock options, which were expected to be recognized over a weighted-average vesting period of 2.82 and 2.66 years, respectively. To the extent the actual forfeiture rate is different from the Company's estimate, the actual share-based compensation related to these awards may be different from the expectation.

The Black-Scholes option pricing model is used to determine the fair value of the stock options granted to employees. The fair values of stock options granted during the years ended December 31, 2011, 2012 and 2013 were estimated using the following assumptions:

Options granted to employees

Years ended December 31,	2011	2012	2013
Risk-free interest rate(1)	1.32% to 2.26%	0.67% to 0.92%	0.77% to 1.76%
Dividend yield(2)	—	—	—
Volatility rate(3)	50.3% to 51.4%	53.9% to 54.5%	43.8% to 51.3%
Expected term (in years)(4)	4.58	4.58	4.58

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the USD denominated China Government Bond yield as at the valuation dates.

(2) The Company has no history or expectation of paying dividends on its common shares.

(3) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.

(4) The expected term is developed by assuming the share options will be exercised in the middle point between the vesting dates and maturity dates.

2013 share incentive plan

In November 2013, the Group adopted a share incentive plan, which is referred to as the 2013 Share Incentive Plan ("the 2013 Plan"). The purpose of the plan is to motivate, attract and retain the best available personnel by linking the personal interests of senior management to the success of the Group's business. The Group appointed Leading Advice Holdings Limited ("Leading Advice"), a BVI company owned by the Group's chairman and chief executive officer for no consideration, to administer the plan and is the Administrator. Leading Advice has no activities other than administering the plan and does not have employees.

On behalf of the Group, the Administrator has the authority to select the eligible participants to whom awards will be granted: determine the types of awards and the number of shares covered: establish the terms, conditions and provisions of such awards; cancel or suspend awards; and, accelerate the exercisability of awards. The Administrator is authorized to interpret the 2013 Plan; to establish, amend, and rescind any rules and regulations relating to the 2013 Plan; to determine the terms of agreements entered into with recipients under the

2013 Plan; and, to make all other determinations that may be necessary or advisable for the administration of the 2013 Plan. In the event of any disagreement between the Group and Leading Advice, the Group's decision shall be final and binding.

In November 2013, the Company issued 9,073,732 common shares to Leading Advice. Although the shares were legally issued to Leading Advice, Leading Advice does not have any of the rights of a typical common share holder. Leading Advice 1) is not entitled to dividends 2) does not have the right to vote prior to vesting and 3) does not have the right to sell the unvested portion of the awards or awards that have not been granted. In addition, upon 1) the liquidation of Leading Advice 2) the dissolution of Leading Advice and 3) the expiration of the 2013 Plan, common shares not granted as awards shall be transferred back to the Group at no consideration. Shares not granted at the closing of a QIPO will still be held by Leading Advice on behalf of the Company. Given the structure of this arrangement, while the common shares have been legally issued, the common shares issued to Leading Advice do not have the attributes of unrestricted, issued and outstanding shares. Therefore, the 9,073,732 common shares issued to Leading Advice are accounted as treasury shares until these common shares are earned by the senior management for service provided to the Group.

The Group will record compensation expense for shares over the vesting period.

For the awards that have been granted and become vested, Leading Advice will hold shares for the grantees' benefit and exercise the voting rights on their behalf. The grantees will be entitled to dividends and have the right to request Leading Advice to transfer vested award to a transferee designated by the grantees. Shares that have been granted and are vested will continue to be held by and voting rights exercised by Leading Advice on behalf of the grantee at the closing of a QIPO.

Before the closing of a QIPO, the Company will have a "right of first refusal" with respect to any proposed transfer of vested restricted shares. After the closing of a QIPO, vested restricted shares may not be sold or transferred for a period of six months or a period of time determined by the underwriter (the "lock up period"). If the grantee terminates its employment prior to the closing date of a QIPO and a trade sale, the Group will have the right to acquire the vested restricted shares from the senior officer at a market price as determined by third-party valuation experts.

The Group has considered whether Leading Advice is a variable interest entity and, if so, whether the Group is the primary beneficiary. The Group concluded that it is not the primary beneficiary of Leading Advice.

Upon the closing of a QIPO, the 2013 Plan will be administered by the Company's board of directors or the compensation committee of the board of directors formed in accordance with applicable exchange rules.

Under the 2013 Plan, the maximum number of restricted shares that may be granted is 9,073,732 shares.

As of December 31, 2013, 8,095,238 restricted shares were granted to a few senior officers. 7,240,833 of these restricted shares will vest over a four-year schedule in which one-fourth of the restricted shares shall be vested upon the first, second, third, and fourth anniversary of the grant date, respectively. Upon a QIPO, the Administrator, on behalf of the Group, may

immediately accelerate the vesting of the restricted shares. If the restricted shares are accelerated, it will be considered vested as of the date specified by the Administrator, and however, the Company has no plan to accelerate the vesting of the restricted shares upon a QIPO. The remaining 854,405 restricted shares granted will vest over a four-year schedule as stated below:

1) One-fourth of the restricted shares shall vest on the earlier of: (i) the first anniversary of the grant date, or (ii) upon a QIPO;

2) The remainder three quarters of the restricted shares shall vest in equal instalments on a monthly basis over a thirty-six month vesting period afterwards.

A summary of the restricted shares activities for the years ended December 31, 2011, 2012 and 2013 is presented below:

(In thousand)	Number of RSUs	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2013:	—	—
Granted	8,095,238	3.15
Vested	—	—
Forfeited	—	—
Unvested at December 31, 2013	8,095,238	—
Vested and expected to vest at December 31, 2013	6,880,952	

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

All restricted shares granted to senior officers are measured based on their grant-date fair values. Compensation expense is recognized on a straight-line basis over the requisite service period. As of December 31, 2013, total unrecognized compensation expense relating to the restricted shares was USD 24,706 thousand. No restricted shares were issued to non-employees. Total compensation costs recognized for the years ended December 31, 2011, 2012 and 2013 are as follows:

	Years ended December 31,		
(In thousand)	2011	2012	2013
Sales and marketing expenses	73	46	43
General and administrative expenses	1,128	1,102	1,080
Research and development expenses	898	1,085	973
Total	2,099	2,233	2,096

18. Basic and diluted net (loss) / income per share

Basic and diluted net (loss) / income per share for the years ended December 31, 2011, 2012 and 2013 are calculated as follows:

(Amounts expressed in thousands of United States dollars ("USD"), except for number of shares and per share data)	Years ended December 31, 2011	2012	2013
Numerator:			
Net (loss) / income attributable to Xunlei Limited	(10)	503	10,662
Beneficial conversion feature of Series C convertible preferred shares from their modifications	—	(286)	—
Deemed contribution from Series C preferred shareholders	—	2,979	—
Accretion to convertible redeemable preferred shares redemption value	—	(3,509)	(4,300)
Allocation of net income to participating preferred shareholders		—	(4,094)
Numerator of basic net (loss) / income per share	(10)	(313)	2,268
Dilutive effect of warrant	—	—	(1,531)
Dilutive effect of preferred shares	—	—	—
Numerator for diluted (loss) / income per share	(10)	(313)	737
Denominator:			
Denominator for basic net (loss) / income per share-weighted average shares outstanding	59,143,208	61,447,372	61,447,372
Dilutive effect of warrants	—	—	2,218,935
Dilutive effect of share options and restricted shares	—	—	12,399,591
Denominator for diluted net (loss) / income per share	59,143,208	61,447,372	76,065,898
Basic net (loss) / income per share	(0.00)	(0.01)	0.04
Diluted net (loss) / income per share	(0.00)	(0.01)	0.01

The following common shares equivalent were excluded from the computation of diluted net income per common share for the periods presented because including them would have had an anti-dilutive effect:

	Years ended December 31, 2011	2012	2013
Preferred shares—weighted average	98,307,870	110,083,912	110,953,534
Share options—weighted average	2,399,154	2,240,681	2,513,017

19. Related party transactions

The table below sets forth the related parties and their relationships with the Group:

Related Party	Relationship with the Group
Zhuhai Qianyou	Equity investment of the Group
Guangzhou Shulian Information Technology, Co., Ltd. ("IDG Guangzhou")	Shareholder of the Group
Hao Cheng	Co-founder and shareholder of the Group
Leading Advice Holdings Limited	Company owned by a Co-founder and shareholder of the Group

During the years ended December 31, 2011, 2012 and 2013, significant related party transactions were as follows:

	Years ended December 31,		
(In thousand)	2011	2012	2013
Game sharing costs paid and payable to Zhuhai Qianyou (note a)	—	1,041	1,760
Repayment to IDG Guangzhou	(50)	—	—
Advance to Hao Cheng	—	—	85

note a—The Company obtained an exclusive game operation right from Zhuhai Qianyou, which is specialized in developing online games. According to the agreement, the Company will share revenues derived by the licensed games with Zhuhai Qianyou.

In November 2013, the Company issued 9,073,732 common shares to Leading Advice, a company owned by the Group's chairman and chief executive officer. The issurance of common shares was to facilitate the administration of the 2013 Plan. Please refer to note 17 for more information.

As of December 31, 2011, 2012 and 2013, the amount due to a related party was as follows:

(In thousand)	December 31, 2011	December 31, 2012	December 31, 2013
Amounts due to related parties			
Accounts payable to Zhuhai Qianyou	—	313	225

(In thousand)	December 31, 2011	December 31, 2012	December 31, 2013
Amounts due to related parties			
Other receivable from Hao Cheng	—	—	85

20. Taxation

(i) Cayman Islands

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

(ii) PRC Enterprise Income Tax ("EIT")

Giganology Shenzhen, the VIE and its subsidiaries which were established in the Shenzhen Special Economic Zone, the PRC were all subject to EIT at a rate of 15% before 2008. On March 16, 2007, the PRC National People's Congress promulgated the New Enterprise Income Tax Law (the "New EIT Law"), which became effective on January 1, 2008, adopting a unified EIT rate of 25%. In addition, the New EIT Law also provides a five-year transitional period starting from its effective date for those enterprises that were established before the date of promulgation of the New EIT Law and that were entitled to preferential income tax rates under the then effective tax laws or regulations. On December 26, 2007, the State Council issued the "Circular to Implementation of the Transitional Preferential Policies for the Enterprise Income Tax". Pursuant to this Circular, the transitional income tax rates for enterprises established in the Shenzhen Special Economic Zone before March 16, 2007 were 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively. Thus, the applicable EIT rate for Giganology Shenzhen, the VIE and its subsidiaries, which established in the Shenzhen Special Economic Zone before March 16, 2007, was 24%, 25% and 25% for the years 2011, 2012 and 2013, respectively.

As approved by the relevant local tax authority, Giganology Shenzhen was further exempt from EIT for two years commencing from its first year of profitable operation after offsetting prior years' tax losses, followed by a 50% reduction for the next three years ("2-year Exemption and 3-year 50% Reduction") as a software enterprise. The first year of profit operation of Giganology Shenzhen was 2006. According to new EIT Law, Giganology Shenzhen could still enjoy the tax holidays which were grandfathered by the New EIT Law.

Accordingly, the applicable EIT rates for Giganology Shenzhen were 24%, 25% and 25% for the years ended December 31, 2011, 2012 and 2013, respectively.

On April 14, 2008, relevant governmental regulatory authorities released further qualification criteria, application procedures and assessment processes for meeting the High and New Technology Enterprise ("HNTE") status under the New EIT Law which would entitle qualified and approved entities to a favorable statutory tax rate of 15%.

In April 2009, the State Administration for Taxation ("SAT") issued Circular Guoshuihan [2009] No. 203 ("Circular 203") stipulating that entities which qualified for the HNTE status should apply with in-charge tax authorities to enjoy the reduced EIT rate of 15% provided under the New EIT Law starting from the year when the new HNTE certificate becomes effective. In addition, an entity which qualified for the HNTE status can continue to enjoy its remaining tax holiday from January 1, 2008 provided that it has obtained the HNTE certificate according to the new recognition criteria set by the New EIT Law and the relevant regulations.

In February 2011, Shenzhen Xunlei obtained the HNTE certificate with effect from January 1, 2011.

According to a policy promulgated by the State tax bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Shenzhen Xunlei has been claiming such Super Deduction in ascertaining its tax assessable profits from 2009 onwards. In addition, approved by the relevant local tax authority in July 2010, Shenzhen Xunlei was recognized as an enterprise engaged in software development activities, accordingly, it is entitled to a tax holiday of 2-year Exemption and 3-year 50% Reduction from 2010 onwards.

In December 2013, Shenzhen Xunlei obtained the certificate of Key Software Enterprise for the years ended December 31, 2013 and 2014, which enabled Shenzhen Xunlei to enjoy the preferential tax rate of 10% for the year 2013. As a result, the applicable tax rate of Shenzhen Xunlei for the years ended December 31, 2011, 2012 and 2013 were 0%,12.5% and 10% respectively.

The subsidiaries and VIE's subsidiaries, which were established after January 1, 2008, were subject to EIT at a rate of 25%.

Xunlei Computer was established in 2011 in the Shenzhen Special Economic Zone, the PRC. As approved by the relevant tax authority in June 2013, Xunlei Computer was further exempt from EIT for two years commencing from its first year of profitable operation after offsetting prior years' tax losses, followed by a 50% reduction for the next three years ("2-year Exemption and 3-year 50% Reduction"). The first year of profit operation of Xunlei Computer is 2013.

Dividends paid by the PRC subsidiaries of the Group out of the profits earned after December 31, 2007 to non-PRC tax resident investors are subject to PRC withholding tax. The withholding tax ("WHT") on dividends is 10%, unless a foreign investor's tax jurisdiction has a tax treaty with the PRC that provides for a lower withholding tax rate and the foreign investor is recognized as the beneficial owner of the income under the relevant tax rules.). The 10% WHT is applicable to any dividends to be distributed from Giganology Shenzhen and Xunlei Computer to the Company out of any profits of these two companies derived after January 1, 2008. Up to December 31, 2013, both Giganology Shenzhen and Xunlei Computer did not declare any dividend to the parent company and have determined that it has no present plan to declare and pay any dividends. The Group currently plans to continue to reinvest its subsidiaries' undistributed earnings, if any, in its operations in China indefinitely. Accordingly, no withholding income tax was accrued and required to be accrued as of December 31, 2012 and 2013. The undistributed earnings from the Group's PRC entities as of December 31, 2012 and 2013 amounted to USD19,273 thousand and USD31,385 thousand, respectively. An estimated foreign withholding taxes of USD1,977 thousand and USD3,138 thousand would be due if these earnings were remitted as dividends as of December 31, 2012 and 2013, respectively.

Moreover, the current EIT Law treats enterprises established outside of China with "effective management and control" located in the PRC as PRC resident enterprises for tax purposes. The term "effective management and control" is generally defined as exercising overall

management and control over the business, personnel, accounting, properties, etc. of an enterprise. The Company, if considered a PRC resident enterprise for tax purposes, would be subject to the PRC Enterprise Income Tax at the rate of 25% on its worldwide income for the period after January 1, 2008. As of December 31, 2013, the Company has not accrued for PRC tax on such basis. The Company will continue to monitor its tax status.

The current and deferred portions of income tax expense included in the consolidated statements of operations are as follows:

	Years ended December 31,		
(In thousand)	**2011**	**2012**	**2013**
Current income tax expenses	—	2,362	175
Deferred income tax benefits	(1,783)	(123)	(822)
Taxation for the year	(1,783)	2,239	(647)

The aggregate amount and per share effect of the tax holiday are as follows:

	Years ended December 31,		
	2011	**2012**	**2013**
Aggregate dollar effect **(in thousand)**	1,118	2,073	4,638
Per share effect—basic	0.02	0.03	0.08
Per share effect—diluted	0.02	0.03	0.06

The reconciliation of total tax (benefit)/expense computed by applying the respective statutory income tax rate to pre-tax (loss)/income is as follows:

	Years ended December 31,		
	2011	**2012**	**2013**
Income tax (benefit)/expense at PRC statutory rate (based on *statutory* tax rate applicable to enterprises in Shenzhen, China)	(431)	655	2,433
Expiration and utilisation of tax loss	—	—	31
Effects of differences in tax rates in different jurisdictions applicable to certain PRC entities of the Group	(5)	—	—
Effects of differences in tax rates in different jurisdictions applicable to entities of the Group outside of the PRC	1,038	2,074	667
Non-deductible expenses	127	53	102
Effect of Super Deduction available to Shenzhen Xunlei	—	(2,274)	(1,763)
Effect of tax holiday available to Shenzhen Xunlei	(1,118)	(2,073)	(4,638)
Change in valuation allowance of deferred tax assets	37	6	—
Effect on deferred tax assets due to change in tax rates	(2,830)	(437)	1,764
Outside basis difference arising from the VIE and its subsidiaries in the PRC	1,402	4,217	713
Others	(3)	18	44
Income tax (benefit)/expense	(1,783)	2,239	(647)

The tax effects of temporary differences that give rise to the deferred tax asset and liability balances at December 31, 2012 and 2013 are as follows:

(In thousand)	December 31, 2012	December 31, 2013
Deferred tax assets, current portion:		
Net operating loss carried forward (Note a)	46	50
Amortization of intangible assets arising from intragroup transactions (Note b)	84	69
Amortization of Content Copyrights (Note c)	787	1,033
Impairment of online game licenses	—	33
Valuation allowance	(43)	—
Deferred tax assets, current portion, net	874	1,185
Deferred tax assets, non-current portion:		
Net operating loss carried forward (Note a)	1,269	3,676
Allowance for doubtful accounts	1,181	1,311
Amortization of intangible assets arising from intragroup transactions (Note b)	338	175
Impairment of online game licenses	—	49
Amortization of Content Copyrights (Note c)	5,124	4,219
Deferred tax assets, non-current portion, net	7,912	9,430
Deferred tax liability, non-current portion:		
Outside basis difference (Note d)	(7,361)	(8,074)

Note a: As of December 31, 2013, the Group had tax loss carryforwards of USD14,908 thousand, which can be carried forward to offset future taxable income. The net operating tax loss carryforwards will begin to expire as follows:

(In thousand)	
2014	202
2015	1,264
2016	1,791
2017	1,978
2018	9,673
	14,908

Note b: Before 2008, Giganology Shenzhen sold several self developed software at a market valuation of approximately RMB42 million to Shenzhen Xunlei. Shenzhen Xunlei was entitled to capitalize the amounts as intangible assets for tax purposes and the respective amortization charges could be entitled to claim tax deduction. As a result, this transaction had created a temporary difference between the accounting base (on a group basis) and the tax base (on Shenzhen Xunlei standalone basis) and led to origination of a deferred tax asset.

Note c; As mentioned in Note 2(k), the Group adopts certain accelerated amortization methods for amortization of certain Content Copyrights for accounting purposes, while straight- line method is adopted for PRC tax reporting. Accordingly, the differences have led to origination of temporary differences.

Note d: The deferred tax liabilities arising from the aggregate retained earnings and reserves of the VIE and its subsidiaries that are expected to be recovered by Giganology Shenzhen and other affiliates of the Group in the future periods, amounted to USD 29,447 thousand and USD 32,296 thousand as of December 31, 2012 and 2013, respectively. The Group did not provide for such deferred tax liability in its historical financial statements for the year ended 31 December 2010 that was prepared in 2011. Accordingly, the retained earnings have been revised and the brought forward balance as of 1 January, 2011 has been reduced by USD 1,743 thousand to reflect such a liability as of 31 December 2010.

Movement of valuation allowance is as follows:

	Years ended December 31,		
(In thousand)	**2011**	**2012**	**2013**
Beginning balance	—	(37)	(43)
Additions	(37)	(6)	—
Write-off	—	—	43
Ending balance	(37)	(43)	—

Valuation allowances had been provided against the net deferred tax assets because it is more likely than not that all of the deferred tax asset will not be realized. As of December 31, 2011 and 2012, the valuation allowance was provided because Xunlei Nanjing was in a loss position. As of December 31, 2013, valuation allowance was written off due to the termination of the business of Xunlei Nanjing.

As of December 31, 2013, the tax returns of the Group's subsidiaries, VIE and its subsidiaries since their respective dates of incorporation are still open to examination.

21. Fair value measurements

Effective January 1, 2008, the Group adopted ASC 820-10, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value and expands financial statement disclosures about fair value measurements. Although adoption did not impact the Group's consolidated financial statements, ASC 820-10 requires additional disclosures to be provided on fair value measurements.

ASC 820-10 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2—Include other inputs that are directly or indirectly observable in the marketplace or based on quoted price in markets that are not active

Level 3—Unobservable inputs which are supported by little or no market activity and are significant to the overall fair value measurement

ASC 820-10 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

The following table sets forth the financial instruments, measured at fair value, by level within the fair value hierarchy as of December 31, 2012 and 2013.

(In thousand)	Total	Fair value measurements as at December 31, 2012 Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant observable inputs (Level 3)
Cash equivalent: time deposits	5,978	—	5,978	—
Short term investments				
Investments in financial instruments	6,523	—	6,523	—
Warrant liabilities	(3,717)	—	(3,717)	—
	8,784	—	8,784	—

(In thousand)	Total	Fair value measurements as at December 31, 2013 Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant observable inputs (Level 3)
Cash equivalent: time deposits	30,892	—	30,892	—
Short term investments:				
Time deposits	9,695	—	9,695	—
Investments in financial instruments	31,298	—	31,298	—
Warrant liabilities	(2,186)	—	(2,186)	—
	69,699	—	69,699	—

22. Other income, net

(In thousand)	Years ended December 31, 2011	2012	2013
Subsidy income	650	1,621	1,393
Fair value changes of warrants liabilities (note 13)	—	(710)	1,531
Investment income from short-term investments	—	2	1,847
Exchange gain/(losses)	754	(351)	(252)
Others	11	2	160
	1,415	564	4,679

23. Commitments and contingencies

Rental commitments

The Group leases facilities in the PRC under non-cancellable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases, including any free rental periods.

Total office rental expenses under all operating leases were USD 2,017 thousand, USD 2,390 thousand and USD 2,786 thousand for the years ended December 31, 2011, 2012 and 2013, respectively.

Future minimum payments under non-cancellable operating leases of office rental consist of the following as of December 31, 2013:

(In thousand)	
2014	2,115
2015	1,400
2016	935
2017 and thereafter	7
	4,457

Bandwidth lease commitments

The Group leases bandwidth in the PRC under non-cancellable operating leases expiring on different dates. Payments under bandwidth leases are expensed on a straight-line basis over the duration of the respective lease periods, including any lease free periods.

Total bandwidth leasing costs under all operating leases were USD 11,543 thousand, USD 22,211 thousand and USD 35,454 thousand for the years ended December 31, 2011, 2012 and 2013.

Future minimum payments under non-cancellable bandwidth leases consist of the following as of December 31, 2013:

(In thousand)	
2014	10,859
2015	2,954
2016 and thereafter	—
	13,813

Capital commitments

As at December 31, 2013, the Group had irrevocable purchase obligations for certain copyrights and online game licenses that had not been recognized in the amount of USD 5,882 thousand and USD 5,150 thousand, respectively.

Litigation

The Group is involved in a number of cases pending in various courts. These cases are substantially related to alleged copyright infringement as well as routine and incidental matters to its business, among others. Adverse results in these lawsuits may include awards of damages and may also result in, or even compel, a change in the Group's business practices, which could impact the Group's future financial results. The Group had incurred USD 641 thousand, USD 760 thousand and USD 263 thousand legal and litigation related expenses for the years ended December 31, 2011, 2012 and 2013, respectively.

Up to March 21, 2014, the Group had 17 lawsuits pending against the Group with an aggregate amount of claimed damages of approximately RMB20.3 million (USD3.3 million) which occurred before December 31, 2013. Of the 17 pending lawsuits, 13 lawsuits were relating to the alleged copyright infringement in the PRC and the remaining 4 were relating to the Xunlei Kankan and online game business which is not related with copyright infringement.

The Group had accrued for USD 288 thousand litigation related expenses in "Accrued expenses and other liabilities" in the consolidated balance sheet as of December 31, 2013.

Out of the 13 lawsuits for the alleged copyright infringement, 8 lawsuits involved Gougou, a digital media content search engine previously owned by the Group. Although the Group is named defendant in these cases, the Group sold the Gougou website and related intellectual property rights in 2010 to an unaffiliated third party, who has agreed to assume all present and future Gougou-related intellectual property liabilities, including liabilities incurred in connection with these lawsuits. The indemnity provided by this unaffiliated third party has not been factored into the Group's accrual of the litigation related expenses. The remaining 5 lawsuits were relating to online video services the Group provided on Xunlei Kankan and the Xunlei Accelerator.

The Group estimated the litigation compensation based on judgments handed down by the court, out-of-court settlements of similar cases as well as advices from the Group's legal counsel. The Group is in the process of appealing certain judgments for which the losses had been accrued. Although the results of unsettled litigation and claims cannot be predicted with certainty, the Group does not expect that the outcome of the 17 lawsuits will result in the amounts accrued materially different from the range of reasonably possible losses.

Subsequent to December 31, 2013, there were additional claims mainly related to alleged copyright infringement and employment contract dispute made in the ordinary course of business against the Group. The Group has assessed that none of these claims that occurred between January 1, 2014 to March 21, 2014 will result in the amount accrued materially different from the range of reasonably possible losses in the consolidated financial statements of the Group.

24. Certain risks and concentration

PRC regulations

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in internet businesses, including the provision of online video and online advertising services. Specifically, foreign ownership in an internet content provider or other value-added telecommunication service providers may not exceed 50%. The Group conducts its operations in China principally through contractual arrangements among Giganology Shenzhen, its wholly-owned PRC subsidiary, and Shenzhen Xunlei and its shareholders. Shenzhen Xunlei holds the licenses and permits necessary to conduct its resource discovery network, online video, online advertising, online games and related businesses in China and hold various operating subsidiaries that conduct a majority of its operations in China. The Company conducts all of its operations in China through, Shenzhen Xunlei, a variable interest entity, which it consolidates as a result of a series contractual arrangements enacted. If the Company had direct ownership of Shenzhen Xunlei, it would be able to exercise its rights as a shareholder to effect changes in the board of directors of Shenzhen Xunlei, which in turn could effect changes at the management level, subject to any applicable fiduciary obligations. However, under the current contractual arrangements, it relies on Shenzhen Xunlei and its shareholders' performance of their contractual obligations to exercise effective control. In addition, its operating contract with Shenzhen Xunlei has a term of ten years, which is subject to Giganology Shenzhen's unilateral termination right. None of Shenzhen Xunlei or its shareholders may terminate the contracts prior to the expiration date.

Further, the Group believes that the contractual arrangements among Giganology Shenzhen, Shenzhen Xunlei and its shareholders are in compliance with PRC law and are legally enforceable. However, the Chinese government may issue from time to time new laws or new interpretations on existing laws to regulate this industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax laws, and the Group's legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Company's ability to conduct business in the PRC. The PRC government may also require the Company to restructure the Group's operations entirely if it finds that its contractual arrangements do not comply with applicable laws and regulations. Furthermore, it could revoke the Group's business and operating licenses, require it to discontinue or restrict its operations, restrict its right to collect revenues, block its website, require it to restructure its operations, impose additional conditions or requirements with which the Group may not be able to comply, or take other regulatory or enforcement actions against the Group that could be harmful to its business. The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIE and its subsidiaries or the right to receive their economic benefits, the Group would no longer be able to consolidate the VIE. The Group does not believe that any penalties imposed or actions taken by the PRC Government would result in the liquidation of the Company, Giganology Shenzhen or Shenzhen Xunlei.

As of December 31, 2013, the aggregate retained earnings and distributable reserves of VIE and VIE's subsidiaries was approximately USD 32,296 thousand (2012:USD 29,447 thousand), which has been included in the consolidated financial statements.

As stated above, Shenzhen Xunlei holds assets that are important to the operation of the Group's business, including patents for proprietary technology, related domain names and trademarks. If Shenzhen Xunlei or its subsidiaries falls into bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, the Group may be unable to conduct its business activities in China, which could have a material adverse effect on the Group's future financial position, results of operations or cash flows. However, the Group believes this is a normal business risk many companies face. The Group will continue to closely monitor the financial conditions of Shenzhen Xunlei and its subsidiaries.

Shenzhen Xunlei and its subsidiaries' assets comprise both recognized and unrecognized revenue-producing assets. The recognized revenue-producing assets include intangible assets, purchased property and equipment. The balances of these assets held by the VIE and its subsidiaries are included in "copyrights related to content, current portion", "property and equipment, net" and "intangible assets, net" in the consolidated balance sheet and specifically in the VIE table on the following page. The unrecognized revenue-producing assets mainly consist of licenses, patents, trademarks, and domain names which are not recorded in the financial statement as it didn't meet the recognition criteria set in ASC 350-30-25. The licenses stated above primarily consist of licenses that grant the VIE and its subsidiaries the right to produce and broadcast internet, radio, and television programs. One of them is the ICP license as described in note 1.

As of December 31, 2013, Shenzhen Xunlei and its subsidiaries held patents granted in the PRC and in the United States. Presently, patent applications are being examined by the State

Intellectual Property Office of the PRC and also patent application is being reviewed by the United States Patent and Trademark Office.

As of December 31, 2013, Shenzhen Xunlei and its subsidiaries have applied to register trademarks, of which the Company has received registered trademarks in different applicable trademark categories including trademark registered with the United States Patent and Trademark Office and trademark registered with World Intellectual Property Organization.

As of December 31, 2013, Shenzhen Xunlei held one domain name that was recognized as an intangible asset and other domain names that are not recorded in the financial statements.

The following consolidated financial information of the Group's VIE and its subsidiaries was included in the accompanying consolidated financial statements as of and for the years ended:

	As of December 31,	
(In thousand)	**2012**	**2013**
Current assets:		
Cash and cash equivalents	20,259	50,663
Short-term investments	6,523	31,298
Accounts receivable, net	51,915	35,592
Due from related parties	—	85
Deferred tax assets	745	750
Prepayments and other current assets	7,459	11,403
Copyrights related to content, current portion	12,704	14,230
Total current assets	**99,605**	**144,021**
Non-current assets:		
Equity method investments	1,488	2,949
Deferred tax assets	5,746	6,756
Property and equipment, net	14,525	20,116
Intangible assets, net	10,455	13,083
Prepayments for content copyrights	2,472	2,483
Other long-term prepayments	299	2,554
Total non-current assets	**34,985**	**47,941**
Total assets	**134,590**	**191,962**
Current liabilities:		
Accounts payables	36,896	62,603
Due to a related party	313	225
Deferred revenue, current portion	16,117	29,352
Income tax payable	2,372	2,581
Accrued liabilities and other payables	36,576	49,265
Total current liabilities	**92,274**	**144,026**
Non-current liabilities:		
Deferred revenue, non-current portion	2,071	2,610
Deferred government grant	5,194	6,580
Total non-current liabilities	**7,265**	**9,190**
Total liabilities	**99,539**	**153,216**

(In thousand)	Years ended December 31, 2011	2012	2013
Net revenue	81,902	140,532	174,594
Net income	3,507	14,637	1,368

(In thousand)	Years ended December 31, 2011	2012	2013
Net cash provided by operating activities	11,013	59,379	92,580
Net cash used in investing activities	(29,538)	(33,675)	(66,243)
Net cash provided by / (used in) financing activities	23,740	(20,632)	2,487
	5,215	**5,072**	**28,824**

Foreign exchange risk

The Group's financing activities are denominated mainly in the USD. The RMB is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and exchange of foreign currencies into the RMB require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of the RMB into other currencies. The revenues and expenses of the Company's subsidiaries, consolidated VIE and its subsidiaries are generally denominated in the RMB and their assets and liabilities are denominated in the RMB.

Concentration of customer risk

The top 10 customers accounted for 26%, 20% and 14% of the net revenues for the years ended December 31, 2011, 2012 and 2013, respectively. Prior to entering into sales agreements, the Group performs credit assessments of its customers to assess the credit history of its customers. Further, the Group has not experienced any significant bad debts with respect to its accounts receivable.

Credit risk

As of December 31, 2012 and 2013, substantially all of the Group's cash and cash equivalents were held at reputable financial institutions in the jurisdictions where the Group and its subsidiaries are located. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality. The Group has not experienced any losses on its deposits of cash and cash equivalents.

Prior to entering into sales agreements, the Group performs credit assessments of its customers to assess the credit history of its customers. Further, the Group has not experienced any significant bad debts with respect to its accounts receivable.

25. Subsequent events

The Group evaluated subsequent events through March 21, 2014, which is the date when the consolidated financial statements were issued.

Share options grant (Unaudited)

From January 1, 2014, to June 12, 2014, the Group granted a total of 492,000 share options to certain its employees with exercise price ranging from USD2.93 to USD3.97. The share options have a vesting schedule of 4 years. The Group expects to record the related share based compensation expense of approximately USD 0.5 million over the vesting period.

Restricted shares grant (Unaudited)

From January 1, 2014, to June 12, 2014, 2,789,700 restricted shares had been granted to certain executive officers or employees of the Group. The Group expects to record the related share based compensation expense of approximately USD 8.7 million over the vesting period.

Series E preferred shares financing

In March 2014, the Company issued and allotted 70,975,491 Series E preferred shares at a purchase price of approximately USD2.8 per share to a third party investor (the "Series E Investor"). The Company received proceeds of approximately USD200 million from the Series E investor.

Within three months after the closing, the Series E Investor will have the right to purchase, or designate any other person(s) to purchase, an additional number of 35,487,746 Series E preferred shares at approximately USD2.8 per share. Concurrent with the closing of this issuance, the Company issued warrants to the Series E Investor with an exercise price of approximately USD2.8 per share. If the Company is unable to complete an initial public offering by December 31, 2014, then such warrants are exercisable at the Series E Investor's option starting from January 1, 2015 and ending on March 1, 2015.

In relation to the closing of this issuance, the Company also issued warrants to an existing preferred shares investor ("Existing Investor") with an exercise price of approximately USD2.8 per share upon the closing of the Series E Investor's subscription. Such warrants are exercisable at the Existing Investor's option no later than the pricing date of an initial public offering or March 1, 2015, whichever is earlier.

The issuance of Series E preferred shares triggered the anti-dilution rights of a Series C preferred shareholder and a Series D preferred shareholder. As a result, the Company adjusted the conversion price of the Series C preferred shares of this holder from USD4.14 to approximately USD3.64, and the conversion price of Series D preferred shares of this holder from USD3.544 to approximately USD2.86.

Within three months after the closing of the Series E preferred shares, a few of the Company's executive officers have the right to purchase, or designate any third party to purchase, certain number of restricted shares of the Series E Investor's own shares with a total subscription price of not more than USD 20 million.

Guozhi investment (Unaudited)

In February 2014, the Group paid USD 738 thousand as the consideration to acquire 21% equity interests in Shanghai Guozhi Electronic Technology Co., Ltd., a company which hosts an internet platform for online users to share information relating to the TV set-top boxes industry in the PRC. This acquisition was closed on May 28, 2014.

Expiration of the Series D warrants

In the first quarter of 2014, the warrants to purchase 2,218,935 Series D preferred shares at USD 3.38 per share held by certain investor expired.

Repurchase transactions (unaudited)

On April 15, 2014, the Company repurchased from Skyline 469,225 common shares, 27,180 Series A preferred shares, 591,451 Series A-1 preferred shares, 725,237 Series B preferred shares and 3,808,943 Series D convertible redeemable preferred shares at a consideration of approximately USD24,276 thousand.

On April 24, 2014, the Company repurchased from a number of existing shareholders the following common and preferred shares for a total consideration of USD49,808 thousand. The Company repurchased the following common and preferred shares at a per share price of USD2.82, equal to the issuance price of the Series E preferred shares:

- 10,334,679 common shares from Vantage Point Global Limited (Founder's company) for USD29,121 thousand;
- 3,860,733 common shares from Aiden & Jasmine Limited (Co founder's company) for USD10,879 thousand;
- 450,000 Series A preferred shares from Bright Access International Limited for USD1,268 thousand;
- 2,921,868 Series B preferred shares from Fidelity Asia Ventures Fund L.P. for USD8,233 thousand;
- 108,960 Series B preferred shares from Fidelity Asia Principals Fund L.P. for USD307 thousand;

For accounting purposes, the Company determined the per share fair value of the common shares, Series A preferred shares, and Series B preferred shares to be USD3.13, USD3.13, and USD3.19, respectively, on April 24, 2014, the date of repurchase. The repurchase price of USD2.82 was mutually negotiated at the time of the repurchase transactions. There were no other arrangements with the selling shareholders other than the exchange of Xiaomi options for transfer restrictions as described above. The selling shareholders were willing to sell its common and preferred shares at the USD2.82 per share price as it would provide them with as a form of liquidity. For the common shares repurchased, the Company charged the excess of the purchased price over the par value to additional paid in capital. For the preferred shares repurchased, the Company charged the excess of the purchase price over the carrying value to retain earnings or to additional paid in capital if retain earnings is zero.

On the same day, April 24, 2014, the Company transferred a total of 14,195,412 repurchased common shares to Leading Advice for future issuance of restricted shares under the Company's 2014 Plan and cancelled the remaining repurchased shares. While the common shares have been transferred to Leading Advice, the common shares issued to Leading Advice do not have the attributes of unrestricted, issued and outstanding shares. Therefore, these shares issued to Leading Advice are accounted as treasury shares.

Tranche 2 Series E preferred shares financing (unaudited)

On April 24, 2014, the Company issued Series E convertible redeemable preferred shares (the "Series E Tranche 2 Preferred Shares") to three investors (the "Series E Tranche 2 Investors") to subscribe 39,037,382 Series E Tranche 2 Preferred Shares for a total consideration of USD110 million. Two of the three investors exercised the Subscription Rights assigned to them by the Series E Investor to purchase USD100 million while the third investor purchased the remaining USD10 million. Upon the exercise of the Subscription Rights, the fair value of the warrant liability of USD 29,223 thousand was derecognized. The issuance to the third investor

contains a beneficial conversion feature of USD1,109 thousand and the amount is initially recognized in APIC and will be amortized to retained earnings or in the absence of retained earnings, by charge against additional paid-in capital as a deemed dividend. No beneficial conversion feature is recorded for the issuance to the two investors because the adjusted conversion price of USD3.66 is higher than the Company's common share fair value of USD3.13 at the time of the issuance. Issuance cost of USD57 thousand was recognized as a reduction of the Series E preferred shares carrying value. The net carrying amount of the Series E Tranche 2 Preferred Shares will be reported at USD138,053 thousand after taking into consideration the aggregate impact of the aforementioned items. The Series E preferred shares will also be classified within the mezzanine equity section since the preferred shares are only contingently redeemable by the holder four years after issuance date.

The issuance of the Tranche 2 Series E Preferred Shares triggered the anti-dilution rights of a Series C preferred shareholder and a Series D preferred shareholder. As a result, the Company adjusted the conversion price of the Series C preferred shares of this holder from USD3.64 to approximately USD3.63, and the conversion price of Series D preferred shares of this holder from USD2.8613 to approximately USD2.8599.

The downward conversion price adjustment was carried out in accordance with the anti-dilution clause in the original Series C and D financing agreement. As a result of this adjustment the Series C preferred shares contain a beneficial conversion feature of USD1 thousand and the amount will be charged to retained earnings as a deemed dividend. There is no beneficial conversion feature for the Series D preferred shares after the conversion price adjustment.

2014 share incentive plan (unaudited)

In April 2014, the Group adopted a share incentive plan, which is referred to as the 2014 Share Incentive Plan ("the 2014 Plan"). The purpose of the plan is to motivate, attract and retain the best available personnel by linking the personal interests of senior management to the success of the Group's business. Une the 2014 Plan, the maximum number of restricted shares that may be granted is 14,195,412 shares to certain officers, directors or employees of, or advisors or consultants to the Company and its subsidiaries and consolidated affiliated entities. As of May 23, 2014, no restricted shares were granted under the 2014 plan.

Partial disposal of an equity investment (unaudited)

In May 2014, Guangzhou Yuechuan, an equity method investee held by the Group, issued new shares to a number of third parties for a total consideration of RMB18 million. As a result of the transaction, the Group's ownership interest in Guangzhou Yuechuan decreased from 23.4% to 19.1%. The Group concluded it to be an efficient deposal of part of the equity investment. The Company records a gain of USD1.9 million arising from the sale of shares by the investee to third parties at a price in excess of the per share carrying value of the shares owned by the Company in the second quarter of 2014. The Group will continue to classify Guangzhou Yuechuan as an equity method investment because it retained significant influence through its one out of five seats on the board of directors.

26. Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Company's subsidiaries, VIE and VIE's subsidiaries in China only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's

subsidiaries, VIE and VIE's subsidiaries in China are required to make certain appropriation of net after-tax profits or increase in net assets to the statutory surplus fund (see Note 2(z)) prior to payment of any dividends. As a result of these and other restrictions under PRC laws and regulations, the Company's subsidiaries, VIE and VIE's subsidiaries in China are restricted in their ability to transfer their net assets to the Company in terms of cash dividends, loans or advances, which restricted portion amounted to USD 45,043 thousand and USD 49,171 thousand as of December 31, 2012 and 2013, respectively. Even though the Company currently does not require any such dividends, loans or advances from the PRC subsidiaries, VIE and VIE's subsidiaries for working capital and other funding purposes, the Company may in the future require additional cash resources from the Company's subsidiaries, VIE and a VIE's subsidiaries in China due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends to make distributions to shareholders.

27. Unaudited pro forma earnings per share for conversion of preferred shares

The Series A, A-1, B, C and D preferred shares shall automatically be converted into common shares based on the then effective conversion ratio immediately prior to the closing of a firm commitment underwritten Qualified IPO, as defined in the relevant investment agreement. The conversion ratio of Series A, A-1, B and D Preferred Shares was 1 for 1, but the conversion ratio of Series C Preferred Shares was 1 for 1.265, due to the trigger of an anti-dilution clause in the original Series C investment agreement when the Series D Preferred Shares was issued, as described in note 15.

The pro forma financial information presented in the consolidated financial statements does not reflect the financial impact of the Series E preferred shares issuance, the repurchase transactions which occurred in April 2014, and the triggering of the anti-dilution clause for the series C, D, and E preferred shares of a future offering which is price below the anti-dilution triggering price.

The unaudited pro-forma income per share for the year ended December 31, 2013 after giving effect to the conversion of the Series A, A-1, B, C and D preferred shares into common shares as if the conversion occurred at January 1, 2013, respectively was as follows:

	Years ended December 31, 2013
Numerator:	
Net income attributable to common shareholders	2,268
Pro-forma effect of preferred shares	4,094
Accretion of series D	4,300
Pro-forma net income attributable to common shareholders—Basic	10,662
Fair value change of warrants	(1,531)
Pro-forma net income attributable to common shareholders—diluted	9,131
Denominator:	
Denominator for basic and diluted calculation—weighted average number of common shares outstanding	61,447,372
Pro-forma effect of preferred shares	110,953,534
Denominator for pro-forma basic calculation	172,400,906
Dilutive common share options and restricted shares	12,399,591
Pro-forma effect of warrants	2,218,935
Denominator for pro-forma diluted calculation	187,019,432
Pro-forma basic net income per share attributable to common shareholders	0.06
Pro-forma diluted net income per share attributable to common shareholders	0.05

28. Additional information: condensed financial statements of the Company

Regulation S-X require condensed financial information as to financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated and unconsolidated subsidiaries together exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.

The Company records its investment in its subsidiaries, VIE and VIE's subsidiaries under the equity method of accounting.

Such investments are presented on the separate condensed balance sheets of the Company as "Long-term investments".

The subsidiaries did not pay any dividends to the Company for the periods presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures represent supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Group.

The Company did not have significant other commitments, long-term obligations, or guarantees as of December 31, 2013.

Condensed balance sheets

(In thousand)	December 31, 2012	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	30,240	28,863
Due from subsidiaries and consolidated VIEs	25,078	25,859
Prepayments and other current assets	1,361	653
Total current assets	56,679	55,375
Non-current assets:		
Intangible assets, net	2,434	1,017
Investments in subsidiaries and consolidated VIEs	50,978	67,009
Total assets	110,091	123,401
Liabilities		
Current liabilities:		
Accounts payable	1,460	807
Other payables	956	924
Warrants liabilities	3,717	2,186
Total liabilities	6,133	3,917
Commitments and contingencies		
Mezzanine equity	35,990	40,290
Shareholders' equity		
Series C convertible non-redeemable preferred shares	1	1
Series B convertible non-redeemable preferred shares	8	8
Series A-1 convertible non-redeemable preferred shares	9	9
Series A convertible non-redeemable preferred shares	7	7
Common shares	15	17
Other shareholders' equity	67,928	79,152
Total Xunlei Limited's shareholders' equity	67,968	79,194
Total liabilities, mezzanine equity and shareholders' equity	110,091	123,401

Condensed statements of operations

(In thousand)	Years ended December 31, 2011	2012	2013
Revenues	—	—	—
Cost of revenues	(769)	(3,075)	(2,264)
Gross profit	(769)	(3,075)	(2,264)
Operating expenses			
Research and development expenses	—	(1,369)	—
Sales and marketing expenses	—	(489)	(241)
General and administrative expenses	(2,400)	(1,315)	(972)
Total operating expenses	(2,400)	(3,173)	(1,213)
Operating loss	(3,169)	(6,248)	(3,477)
Interest income	191	1,089	706
Other income / (loss), net	752	(885)	1,651
Income from subsidiaries and consolidated VIEs	2,216	6,547	11,782
(Loss) / income before income tax	**(10)**	**503**	**10,662**
Income tax	—	—	—
Net (loss) / income	**(10)**	**503**	**10,662**
Net income attributable to the non-controlling interest	—	—	—
Net (loss) / income attributable to Xunlei Limited's common shareholders	**(10)**	**503**	**10,662**

Condensed statement of cash flows

(In thousand)	Years ended December 31, 2011	2012	2013
Cash flows from operating activities			
Net cash generated from operating activities	1,474	695	4,708
Cash flows from investing activities			
Net cash used in investing activities	(9,734)	(37,302)	(3,843)
Cash flows from financing activities			
Net cash generated from financing activities	29,400	35,488	(2,242)
Net increase / (decrease) in cash and cash equivalents	21,140	(1,119)	(1,377)
Cash and cash equivalents at beginning of year	10,219	31,359	30,240
Effect of exchange rates on cash and cash equivalents	—	—	—
Cash and cash equivalents at end of year	31,359	30,240	28,863

Xunlei Limited
Unaudited interim condensed consolidated balance sheets

(Amounts expressed in thousands of United States dollars ("USD"), except for number of shares and per share data)	Note	December 31, 2013	March 31, 2014	Pro forma at March 31, 2014
Assets				
Current assets:				
Cash and cash equivalents	3	93,906	302,361	302,361
Short-term investments	4	40,993	32,339	32,339
Accounts receivable, net	5	35,275	29,083	29,083
Deferred tax assets		1,185	1,418	1,418
Due from related party	19	85	585	585
Prepayments and other current assets	6	6,319	6,601	6,601
Copyrights related to content, current portion	8	16,018	13,022	13,022
Total current assets		**193,781**	**385,409**	**385,409**
Non-current assets:				
Long-term investments	9	2,949	2,867	2,867
Deferred tax assets		9,430	10,328	10,328
Property and equipment, net	7	20,208	21,410	21,410
Intangible assets, net	8	11,958	11,077	11,077
Prepayment for content copyrights	6	3,149	2,806	2,806
Other long-term prepayments and receivables	6	2,928	5,888	5,888
Total assets		**244,403**	**439,785**	**439,785**
Liabilities				
Current liabilities:				
Accounts payable (including accounts payable of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of 62,603 and 59,554 as of December 31, 2013 and March 31, 2014, respectively)		39,820	36,922	36,922
Due to a related party (including due to related party of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of 225 and 239 as of December 31, 2013 and March 31, 2014, respectively)	19	225	239	239

(Amounts expressed in thousands of United States dollars ("USD"), except for number of shares and per share data)	Note	December 31, 2013	March 31, 2014	Pro forma at March 31, 2014
Deferred revenue, current portion (including deferred revenue, current portion of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of 29,352 and 29,583 as of December 31, 2013 and March 31, 2014, respectively)	10	29,352	29,583	29,583
Income tax payable (including income tax payable of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of 2,581 and 2,939 as of December 31, 2013 and March 31, 2014, respectively)		2,581	2,939	2,939
Accrued liabilities and other payables (including accrued liabilities and other payables of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of 49,265 and 41,251 as of December 31, 2013 and March 31, 2014, respectively)	11	33,407	31,278	31,278
		105,385	**100,961**	**100,961**
Non-current liabilities:				
Deferred revenue, non-current portion (including deferred revenue, non-current portion of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of 2,610 and 2,056 as of December 31, 2013 and March 31, 2014, respectively)	10	2,610	2,056	2,056
Deferred government grant (including deferred government grant of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of 6,580 and 6,164 as of December 31, 2013 and March 31, 2014, respectively)		6,580	6,164	6,164

(Amounts expressed in thousands of United States dollars ("USD"), except for number of shares and per share data)	Note	December 31, 2013	March 31, 2014	Pro forma at March 31, 2014
Deferred tax liability, non-current (including deferred tax liability, non-current of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of nil as of December 31, 2013 and March 31, 2014)		8,074	8,985	8,985
Warrants and subscription rights liabilities (including warrants and subscription rights liabilities of the consolidated variable interest entities and VIE's subsidiaries without recourse to the Company of nil as of December 31, 2013 and March 31, 2014)	13	2,186	37,089	37,089
Total liabilities		**124,835**	**155,255**	**155,255**
Commitments and contingencies	23			
Mezzanine equity				
Series E convertible redeemable preferred shares USD 0.00025 par value, 127,613,933 shares authorized, 70,975,491 shares issued and outstanding as at March 31, 2014; aggregate redemption value of USD 349,801 as at March 31, 2014, nil outstanding on a pro forma basis as at March 31, 2014	13	—	115,721	—
Series D convertible redeemable preferred shares USD 0.00025 par value, 18,000,000 shares authorized, 10,580,397 shares issued and outstanding as at December 31, 2013 and March 31, 2014, respectively; aggregate redemption value of USD 51,018 and USD 53,808 as at March 31, 2013 and 2014, respectively, nil outstanding on a pro forma basis as at March 31, 2014	13	40,290	41,722	—
Equity				
Series C convertible non-redeemable preferred shares USD0.00025 par value, 5,728,264 shares authorized, 5,728,264 shares issued and outstanding as at December 31, 2013 and March 31, 2014, respectively, nil outstanding on a pro forma basis as at March 31, 2014	15	1	1	—
Series B convertible non-redeemable preferred shares USD0.00025 par value, 30,308,284 shares authorized, 30,308,284 shares issued and outstanding as at December 31, 2013 and March 31, 2014, respectively, nil outstanding on a pro forma basis as at March 31, 2014	15	8	8	—

(Amounts expressed in thousands of United States dollars ("USD"), except for number of shares and per share data)	Note	December 31, 2013	March 31, 2014	Pro forma at March 31, 2014
Series A-1 convertible non-redeemable preferred shares USD0.00025 par value, 36,400,000 shares authorized, 36,400,000 shares issued and outstanding as at December 31, 2013 and March 31, 2014, respectively, nil outstanding on a pro forma basis as at March 31, 2014	15	9	9	—
Series A convertible non-redeemable preferred shares USD0.00025 par value, 26,416,560 shares authorized, 26,416,560 shares issued and outstanding as at December 31, 2013 and March 31, 2014, respectively, nil outstanding on a pro forma basis as at March 31, 2014	15	7	7	—
Common shares USD0.00025 par value, 355,532,959 shares authorized, 70,521,104 shares issued and 61,447,372 shares outstanding as at December 31, 2013 and March 31, 2014, respectively, 245,012,554 shares outstanding on a pro-forma basis as at March 31, 2014	14	15	15	61
Additional paid-in-capital		61,634	115,130	272,552
Treasury shares USD0.00025 par value, 9,073,732 shares as at December 31, 2013 and March 31, 2014, respectively, 9,073,732 shares on a pro forma basis as at March 31, 2014		2	2	2
Accumulated other comprehensive income		6,003	5,085	5,085
Statutory reserves		4,478	4,478	4,478
Retained earnings		7,037	2,487	2,487
Total Xunlei Limited's shareholders' equity		**79,194**	**127,222**	**284,665**
Non-controlling interest	16	84	(135)	(135)
Total liabilities, mezzanine equity and shareholders' equity		**244,403**	**439,785**	**439,785**

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

Xunlei Limited
Unaudited interim condensed consolidated statements of comprehensive income

(Amounts expressed in thousands of USD, except for number of shares and per share data)	Note	three months ended March 31, 2013	2014
Revenues, net of rebates and discounts	2(b)	41,319	41,190
business taxes and surcharges		(1,245)	(1,192)
Net revenues		40,074	39,998
Cost of revenues	12	(20,783)	(23,864)
Gross profit		**19,291**	**16,134**
Operating expenses			
Research and development expenses		(6,093)	(7,079)
Sales and marketing expenses		(4,443)	(5,027)
General and administrative expenses		(4,409)	(6,068)
Total operating expenses		**(14,945)**	**(18,174)**
Net (loss) / gain from exchanges of content copyrights		(171)	826
Operating income/(loss)		**4,175**	**(1,214)**
Interest income		190	387
Other income, net	22	588	1,123
Share of loss from equity investee	9	(23)	(56)
Income before income tax		4,930	240
Income tax expense		(862)	(62)
Net income		4,068	178
Less: Net income / (loss) attributable to the non-controlling interest		167	(219)
Net income attributable to Xunlei Limited		**3,901**	**397**
Allocation of net income to participating preferred shareholders	15	(1,828)	—
Contingent beneficial conversion feature of Series C to a Series C shareholder	15	—	(57)
Deemed dividend to Series D shareholder from its modification	13	—	(279)
Accretion of Series D to convertible redeemable preferred shares redemption value	13	(1,060)	(1,153)
Accretion of Series E to convertible redeemable preferred shares redemption value	13	—	(2,525)
Amortization of beneficial conversion feature of Series E	13	—	(933)
Net income / (loss) attributable to Xunlei Limited's common shareholders		**1,013**	**(4,550)**
Net income		**4,068**	**178**
Other comprehensive income / (loss): Foreign currency translation adjustment, net of tax		224	(918)
Comprehensive income/(loss)		**4,292**	**(740)**
Less: comprehensive income / (loss) attributable to non-controlling interest shareholders		158	(219)
Comprehensive income/(loss) attributable to Xunlei Limited		4,134	(521)
Basic net income / (loss) per share attributable to Xunlei Limited's common shareholders	18	0.02	(0.07)
Weighted average number of common shares outstanding—basic	18	61,447,372	61,447,372
Diluted net income / (loss) per share attributable to Xunlei Limited's common shareholders	18	0.01	(0.07)
Weighted average number of common shares outstanding—diluted	18	75,901,980	61,447,372

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

Xunlei Limited
Unaudited interim condensed consolidated statements of changes in shareholders' equity

(Amounts expressed in thousands of USD, except for number of shares and per share data)	Series C convertible non-redeemable preferred share		Series B convertible non-redeemable preferred share		Series A-1 convertible non-redeemable preferred share		Series A convertible non-redeemable preferred shares		Common shares		Treasury stock		Additional paid-in capital	Retained earnings	Statutory reserves	Accumulated other comprehensive income	Total shareholders' equity	cont ir
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at December 31, 2013	5,728,264	1	30,308,284	8	36,400,000	9	26,416,560	7	61,447,372	15	9,073,732	2	61,634	7,037	4,478	6,003	79,194	
Share-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	1,062				1,062	
Beneficial conversion feature of Series E convertible preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	52,377		—	—	52,377	
Contingent beneficial conversion feature of series C to a Series C shareholder	—	—	—	—	—	—	—	—	—	—	—	—	57	(57)	—	—	—	
Amortization of Beneficial conversion feature of Series E	—	—	—	—	—	—	—	—	—	—	—	—	—	(933)	—	—	(933)	
Deemed dividend to Series D shareholder from its modification	—	—	—	—	—	—	—	—	—	—	—	—	—	(279)	—	—	(279)	
Accretion of Series D to convertible redeemable preferred shares redemption value	—	—	—	—	—	—	—	—	—	—	—	—		(1,153)	—	—	(1,153)	
Accretion of Series E to convertible redeemable preferred shares redemption value	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,525)	—	—	(2,525)	
Net income / (loss)	—	—	—	—	—	—	—	—	—	—	—	—		397	—	—	397	
Translation adjustments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(918)	(918)	
Balance at March 31, 2014	5,728,264	1	30,308,284	8	36,400,000	9	26,416,560	7	61,447,372	15	9,073,732	2	115,130	2,487	4,478	5,085	127,222	
Balance at December 31, 2012	5,728,264	1	30,308,284	8	36,400,000	9	26,416,560	7	61,447,372	15	—	—	59,540	2,011	3,142	3,235	67,968	
Share-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	328	—	—	—	328	
Series D preferred shares accretion	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,060)	—	—	(1,060)	
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	3,901	—	—	3,901	
Translation adjustments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	233	233	
Balance at March 31, 2013	5,728,264	1	30,308,284	8	36,400,000	9	26,416,560	7	61,447,372	15	—	—	59,868	4,852	3,142	3,468	71,370	

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

Xunlei Limited
Unaudited interim condensed consolidated statements of cash flows

(Amounts expressed in thousands of USD except for number of shares and per share data)	Three months ended March 31, 2013	2014
Cash flows from operating activities		
Net income	4,068	178
Adjustments to reconcile net income to net cash generated from operating activities		
—Depreciation of property and equipment	1,148	1,606
—Amortization of intangible assets	8,421	8,781
—Allowance for doubtful accounts	1,299	68
—Gain from barter transactions	(34)	(1,225)
—Loss on exchange of warrants	—	405
—Share-based compensation	328	1,062
—Investment income on short-term investment	—	(198)
—Increase in fair value of warrants	(253)	(187)
—Share of loss from equity investee	23	56
—Deferred taxes	772	(321)
—Deferred government grant	(311)	(406)
Changes in operating assets and liabilities:		
—Accounts receivable	(4,958)	5,774
—Prepayments and other assets	401	(2,542)
—Due from a related party	—	(592)
—Due to a related party	(137)	17
—Accounts payable	563	1,642
—Deferred revenue	3,851	59
—Income tax payable	54	394
—Accrued liabilities and other payables	1,355	448
Net cash generated from operating activities	**16,590**	**15,019**
Cash flows from investing activities		
Acquisition of property and equipment	(1,517)	(3,761)
Purchase of short-term investments	(35,779)	(83,355)
Proceeds from disposal of short-term investments	21,932	91,981
Purchase of intangible assets	(2,728)	(9,108)
Acquisition of long-term investment	—	(731)
Loan to employees	(87)	(241)
Repayment of advance from a shareholder	—	85
Net cash used in investing activities	**(18,179)**	**(5,130)**
Cash flows from financing activities		
Issuance of Series E preferred shares	—	200,000
Government grant received	1,307	65
Payment of initial public offering expenses	—	(445)
Net cash generated from financing activities	**1,307**	**199,620**
Net (decrease) / increase in cash and cash equivalents	**(282)**	**209,509**
Cash and cash equivalents at beginning of period	81,906	93,906
Effect of exchange rates on cash and cash equivalents	169	(1,054)
Cash and cash equivalents at end of period	**81,793**	**302,361**
Supplemental disclosure of cash flow information		
Non cash investing and financing activities		
—Acquisition of property and equipment in form of other payables	1,154	3,398
—Purchase of intangible assets in form of accounts payable	27,070	21,597
—Acquisition of intangible assets in form of Content Swap	440	447
—Contingent beneficial conversion feature of Series C to a Series C shareholder	—	57
—Deemed dividend to Series D shareholder from its modification	—	279
—Series D preferred shares accretion	1,060	1,153
—Series E preferred shares accretion	—	2,525
—Amortization of beneficial conversion feature of Series E	—	933

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

Xunlei Limited
Notes to unaudited interim condensed consolidated financial statements
(Amounts in US dollars unless otherwise stated)

1. Organization and nature of operations

Xunlei Limited (the "Company") was incorporated under the law of Cayman Islands ("Cayman") as a limited liability company on February 3, 2005 under the name of Giganology Limited. On December 30, 2010, the shareholders of the Company approved the change of the name of the Company from Giganology Limited to Xunlei Limited and it was registered with the relevant authorities on January 28, 2011.

The accompanying condensed consolidated financial statements include the financial statements of the Company, its subsidiaries, its variable interest entity ("VIE") and the VIE's subsidiaries (collectively referred to as the "Group") as follows:

Name of entities	Place of incorporation	Date of incorporation	Relationship	% of direct or indirect economic ownership	Principal activities
Shenzhen Xunlei Networking Technologies, Co., Ltd ("Shenzhen Xunlei").	China	January 2003	VIE	100%	Development of software, provision of online and related advertising, membership subscription and online game services; as well as sales of software licenses
Giganology (Shenzhen) Co. Ltd ("Giganology Shenzhen").	China	June 2005	Subsidiary	100%	Development of computer software and provision of information technology services to related companies
Shenzhen Fengdong Networking Technologies, Co., Ltd. ("Fengdong")	China	December 2005	VIE's subsidiary	100%	Development of software for related companies
Shenzhen Xunlei KanKan Information Technologies Co., Ltd	China	August 2008	VIE's subsidiary	100%	Development of software for related companies
Shenzhen Wangfeng Networking Technologies, Co., Ltd. ("Wangfeng")	China	December 2008	Subsidiary	100%	note a

Name of entities	Place of incorporation	Date of incorporation	Relationship	% of direct or indirect economic ownership	Principal activities
Xunlei Software (Beijing) Co., Ltd ("Xunlei Beijing").	China	June 2009	VIE's subsidiary	100%	Development of software for related companies
Xunlei Software (Shenzhen) Co., Ltd. ("Xunlei Software")	China	January 2010	VIE's subsidiary	100%	Provision of software technology development for related companies
Xunlei Software (Nanjing) Co., Ltd. ("Xunlei Nanjing")	China	January 2010	VIE's subsidiary	100%	Development of computer software and online games for related companies and provision of advertising services (note b)
Xunlei Games Development (Shenzhen) Co., Ltd.	China	February 2010	VIE's subsidiary	70%	Development of online game and computer software for related companies and provision of advertising services
Xunlei Network Technologies Limited ("Xunlei BVI")	British Virgin Islands	February 2011	Subsidiary	100%	Holding company
Xunlei Network Technologies Limited ("Xunlei HK")	Hong Kong	March 2011	Subsidiary	100%	Development of computer software for related companies and provision of advertising services
Xunlei Computer (Shenzhen) Co., Ltd ("Xunlei Computer")	China	November 2011	Subsidiary	100%	Development of computer software and provision of information technology services to related companies
Shenzhen Wangxin Technologies Co., Ltd	China	September 2013	VIE's subsidiary	100%	Development of computer software and provision of information technology services to related companies

note a: In January 2011, the equity owners of Wangfeng resolved to liquidate the subsidiary. In March 2011, Wangfeng was approved to be de-registered by the relevant government authorities. There was no significant financial impact to the consolidated financial statements of the Group.

note b: In January 2011, the equity owners of Xunlei Nanjing resolved to liquidate the subsidiary. In May 2012, Xunlei Nanjing was approved to be de-registered by the relevant government authorities. There was no significant financial impact to the consolidated financial statements of the Group.

note c: The English names of the PRC companies represent management's translation of the Chinese names of these companies as these companies have not adopted formal English names.

The Group engages primarily in the provision of online advertising services on its websites, premium downloading services to its members, online video sharing and distribution and online game platforms for game developers and users.

2. Summary of significant accounting policies

(a) Basis of presentation and use of estimates

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of results for the periods presented, have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year or any other interim period.

The preparation of condensed consolidated financial statements requires management to make estimates and assumptions that affect the recorded amounts reported therein. A change in facts or circumstances surrounding the estimates could result in a change to estimates and impact future operating results.

The unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the interim unaudited condensed consolidated financial statements have read or have access to the audited consolidated financial statements for the preceding fiscal year. The condensed consolidated balance sheet at December 31, 2013 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States of America. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2013.

(b) Segment reporting

The Group's Chief Executive Officer has been identified as the chief operating decision maker ("CODM"), who reviews consolidated operating results of the Group when making decisions about allocating resources and assessing performance of the Group as a whole. The Group has internal reporting of revenue, cost and expenses that does not distinguish between segments, and reports costs and expense by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Management has determined that the Group operates and manages its business as a single segment which is the operation of its online media platform. All revenues of the Group are derived from mainland China.

An analysis of the different types of revenues for the three months ended March 31, 2013 and 2014 are summarized as follows:

(In thousand)	Three months ended March 31 2013	2014
Subscription revenue	18,839	24,849
Advertising revenue	11,933	7,518
Other internet value-added services (note a)	10,547	8,823
Total	41,319	41,190

note a: Other internet value-added services comprise online game revenue, content sub-licensing revenue, pay per view subscription revenue, revenue from traffic referral programs and sales of software licenses.

(c) Profit appropriation and statutory reserves

The Group's subsidiaries, consolidated VIE and its subsidiaries incorporated in the PRC are required on an annual basis to make appropriations of retained earnings set at certain percentage of after-tax profit determined in accordance with PRC accounting standards and regulations ("PRC GAAP"). Appropriation to the statutory general reserve should be at least 10% of the after-tax net income determined in accordance with the legal requirements in the PRC until the reserve is equal to 50% of the entities' registered capital. The Group is not required to make appropriation to other reserve funds and the Group does not have any intentions to make appropriations to any other reserve funds.

The general reserve fund can only be used for specific purposes, such as setting off the accumulated losses, enterprise expansion or increasing the registered capital. Appropriations to the general reserve funds are classified in the consolidated balance sheets as statutory reserves.

There are no legal requirements in the PRC to fund these reserves by transfer of cash to restricted accounts, and the Group does not do so.

The following table presents the balances of registered capital, additional paid-in-capital and statutory reserves of entities within the Group incorporated in China as of December 31, 2013 and March 31, 2014 for the Group's reporting purposes in China as determined under generally accepted accounting principles in China:

(In thousand)	December 31, 2013	March 31, 2014
Registered capital	44,532	44,532
Additional paid-in capital	161	161
Statutory reserves	4,478	4,478
Total	49,171	49,171

As of December 31, 2013 and March 31, 2014 the amounts free of restriction for distribution were USD31,385 and USD33,550, respectively.

(d) Recent accounting pronouncements

In July 2012, the Financial Accounting Standards Board ("FASB") issued revised guidance on "Testing Indefinite-Lived Intangible Assets for Impairment." The revised guidance applies to all entities, both public and nonpublic, that have indefinite-lived intangible assets, other than

goodwill, reported in their financial statements. Under the revised guidance, an entity has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform a quantitative impairment test by comparing the fair value with the carrying amount in accordance with Subtopic 350-30. An entity also has the option to bypass a qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period. In conducting a qualitative assessment, an entity should consider the extent to which relevant events and circumstances, both individually and in the aggregate, could have affected the significant inputs used to determine the fair value of the indefinite-lived intangible asset since the last assessment. An entity also should consider whether there have been changes to the carrying amount of the indefinite-lived intangible asset when evaluating whether it is more likely than not that the indefinite-lived intangible asset is impaired. An entity should consider positive and mitigating events and circumstances that could affect its determination of whether it is more likely than not that the indefinite-lived intangible asset is impaired. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of this guidance did not have an impact on the Company's consolidated balance sheets, statements of comprehensive income, or statements of cash flows.

In February 2013, the FASB issued revised guidance on "Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." The revised guidance does not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the revised guidance requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The revised guidance is effective prospectively for reporting periods beginning after December 15, 2012 for public entities. The adoption of this guidance did not have an impact on the Company's consolidated balance sheets, statements of comprehensive income, or statements of cash flows.

In March 2013, the FASB issued accounting guidance related to a parent's accounting for cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity (ASC 830 Foreign Currency Matters). This guidance requires that the cumulative translation adjustment associated with a

qualifying derecognized subsidiary or group of assets be immediately recognized within the income statement by the parent company. This guidance will become effective for the Company on October 1, 2014. The adoption of this guidance is not expected to have a material impact on the consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry forward, a Similar Tax Loss, or a Tax Credit Carry forward Exists", which is an update to provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carry forward exists. The guidance requires an entity to present an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss carry forward, except for when a net operating loss carry forward is not available as of the reporting date to settle taxes that would result from the disallowance of the tax position or when the entity does not intend to use the deferred tax asset for purposes of reducing the net operating loss carry forward. The guidance is effective for fiscal years beginning after December 15, 2013 and for interim periods within that fiscal year. The adoption of this guidance did not have an impact on the Company's consolidated balance sheets, statements of comprehensive income, or statements of cash flows.

In May 2014, the FASB issued, ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". The guidance substantially converges final standards on revenue recognition between the FASB and the International Accounting Standards Board providing a framework on addressing revenue recognition issues and, upon its effective date, replaces almost all exiting revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles. The guidance is effective for annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact of adopting ASU 2014-09 to determine the impact, if any, it may have on our financial statements.

3. Cash and cash equivalents

Cash and cash equivalents represent cash on hand, cash held at bank, and time deposits placed with banks or other financial institutions, which have original maturities of three months or less. Cash on hand and cash held at bank as of December 31, 2013 and March 31, 2014 primarily consist of the following currencies:

	December 31, 2013		March 31, 2014	
(In thousand)	Amount	USD equivalent	Amount	USD equivalent
RMB	499,034	81,851	539,145	87,636
USD	11,959	11,959	214,657	214,657
HKD	749	96	535	68
Total		93,906		302,361

Time deposits as of December 31, 2013 and March 31, 2014 primarily consist of the following currencies:

	December 31, 2013		March 31, 2014	
(In thousand)	Amount	USD equivalent	Amount	USD equivalent
RMB	157,860	25,892	104,121	16,924
USD	5,000	5,000	7,800	7,800
Total		30,892		24,724

4. Short-term investments

(In thousand)	December 31, 2013	March 31, 2014
Time deposits (note a)	9,695	13,666
Investments in financial instruments (note b)	31,298	18,673
Total	40,993	32,339

note a: the time deposits were placed with banks with original maturities of more than three months but less than one year.

note b: the investments were issued by commercial banks in China with a variable interest rate indexed to performance of underlying assets. Since these investments' maturity dates are within one year, they are classified as short-term investments.

For the three months ended March 31, 2013 and 2014, the Group recorded in the consolidated statements of comprehensive income change in the fair value of short-term investments in the amount of USD nil and USD 198 thousand, respectively. Interest income generated from short term investments is recorded when interest payments are earned during the period presented. It was recorded in "other income" on the statement of comprehensive income and measured based on the actual amount of interest the Group received. For the three months ended March 31, 2013 and 2014, the Group recorded interest income generated from short term investments in the amount of USD 165 thousand and USD 715 thousand, respectively.

5. Accounts receivable

(In thousand)	December 31, 2013	March 31, 2014
Accounts receivable	47,386	41,153
Less: Allowance for doubtful accounts	(12,111)	(12,070)
Accounts receivable, net	35,275	29,083

The accounts receivable that was fully reserved as of December 31, 2013 and March 31, 2014 was USD10.9 million and USD11.0 million, respectively

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

(In thousand)	December 31, 2013	March 31, 2014
Balance at beginning of the year (period)	7,875	12,111
Additions	4,308	149
Reversals	(373)	(81)*
Exchange difference	301	(109)
Balance at end of the year (period)	12,111	12,070

* The amount represents an accounts receivable that was collected in quarter 1 of 2014. As such, the Company reversed this amount from the allowance for doubtful accounts.

6. Prepayments and other assets

(In thousand)	December 31, 2013	March 31, 2014
Current portion:		
Advance to suppliers	717	550
Loans to employees (Note a)	3,578	3,693
Advance to employees for business purposes	316	353
Content copyrights prepaid assets (Note b)	830	999
Interest receivable	118	146
Rental and other deposits	596	684
Others	164	176
Total of prepayments and other current assets	6,319	6,601
Non-current portion:		
Prepayments for content copyrights	3,149	2,806
Prepayments for online game licenses	2,358	3,198
Deferred initial public offering costs	374	1,640
Prepayment for long-term investment (note c)	—	731
Other receivables	196	319
Total of long-term prepayments	6,077	8,694

note a: The Group had entered into loan contracts with certain employees as at December 31, 2013 and March 31, 2014, under which the Group provided interest free loans to these employees. The loan amounts vary amongst different employees and are repayable on demand.

note b: Content copyrights prepaid assets are recognized when the Group has yet to receive the content copyrights from the counterparty under a barter transaction but the counterparty has already received the content copyrights from the Group.

note c: The Group has entered into an agreement with a third party to acquire 21% shareholding in Shanghai Guozhi Electronic Technology Company Limited. The Company has paid USD 731 thousand but the transaction was not completed as of March 31, 2014.

7. Property and equipment

Property and equipment consist of the following:

(In thousand)	December 31, 2013	March 31, 2014
Servers and network equipment	32,108	34,649
Computer equipment	2,097	2,228
Furniture, fixtures and office equipment	889	886
Motor vehicles	340	337
Leasehold improvements	2,177	2,157
Total original costs	37,611	40,257
Less: Accumulated depreciation	(17,403)	(18,847)
	20,208	21,410

Depreciation expense recognized for the three months ended March 31, 2013 and 2014 is summarized as follows:

(In thousand)	Three months ended March 31 2013	2014
Cost of revenues	949	1,363
General and administrative expenses	174	241
Sales and marketing expenses	25	2
Total	1,148	1,606

No impairment loss had been recognized for three months ended March 31, 2013 and 2014.

8. Intangible assets, net

The following table presents movement of intangible assets:

	December 31, 2013				March 31, 2014			
(In thousand)	Cost	Amortization	Impairment	Net book value	Cost	Amortization	Impairment	Net book value
Content copyrights	110,346	(89,396)	—	20,950	109,204	(91,650)	—	17,554
—Exclusive	84,313	(67,487)	—	16,826	86,734	(74,113)	—	12,621
—Non-exclusive (note a)	26,033	(21,909)	—	4,124	22,470	(17,537)	—	4,933
Land use right	5,298	(78)	—	5,220	5,250	(121)	—	5,129
Acquired computer software	1,284	(1,061)	—	223	1,281	(1,074)	—	207
Internal use software development costs	718	(395)	—	323	712	(427)	—	285
Online game licenses (note b)	5,321	(3,343)	(808)	1,170	5,286	(3,629)	(813)	844
Domain name	200	(110)	—	90	200	(120)	—	80
	123,167	(94,383)	(808)	27,976	121,933	(97,021)	(813)	24,099
Less: Copyrights related to content, current portion				(16,018)				(13,022)
				11,958				11,077

note a: Included in non-exclusive Content Copyrights with net book values of USD1,987 thousand and USD 1,447 thousand of rights were acquired from barter transactions as of December 31, 2013 and March 31, 2014, respectively. These assets were initially recorded at their respective fair values determined at the time of exchange.

note b: In 2013, indicator of possible impairment triggered the Group to perform an impairment test for one online game license. The impairment test was triggered in quarter 4 due to the significant decline in the revenue generated by the one online game. In quarter 4, this online game only generated revenue amounted to USD27 thousand as compared to USD303 thousand in quarter 3 of 2013, which was significantly lower than the Group's expectation. The impairment test was performed using a discounted cash flow analysis that requires certain assumptions and estimates regarding economic and future profitability.

Amortization expense recognized for the three months ended March 31, 2013 and 2014 is summarized as follows:

(In thousand)	Three months ended March 31 2013	2014
Cost of revenues	8,117	8,353
Cost of barter transaction	203	325
General and administrative expenses	101	103
Total	**8,421**	**8,781**

The estimated aggregate amortization expense for each of the next five years as of March 31, 2014 is:

(In thousand)	Content copyrights	Others
Year ending March 31, 2015	13,022	1,232
Year ending March 31, 2016	3,996	420
Year ending March 31, 2017	536	234
Year ending March 31, 2018	—	208
Year ending March 31, 2019	—	175

The weighted average amortization period of each intangible asset category as at December 31, 2013 and March 31, 2014 is as below:

(In year)	December 31, 2013	March 31, 2014
Copyrights related to content	2.83	2.85
Land use right	30	30
Acquired computer software	5	5
Internal use software development costs	5	5
Online game licenses	3	3
Domain name	5	5
Total	**4.04**	**4.07**

9. Long-term investments

(In thousand)	December 31, 2013	March 31, 2014
Equity method investments:		
Balance at beginning of the year (period)	1,488	1969
Additions	410	—
Share of income / (loss) from equity investee	25	(56)
Exchange differences	46	(17)
Balance at end of the year (period)	1,969	1,896
Cost method investments:		
Balance at beginning of the year (period)	—	980
Additions	980	—
Exchange difference	—	(9)
Balance at end of the year (period)	980	971
Total long-term investments	**2,949**	**2,867**

The Group's equity loss and gain in Zhuhai Qianyou Technology, Co., Ltd. ("Zhuhai Qianyou") for the year ended December 31, 2013 and three months ended March 31, 2014 was profit of USD 25 thousand and loss of USD 56 thousand, respectively, and was recognized as loss and gain in equity method investment in the consolidated statements of comprehensive income.

As of March 31, 2014, the Group holds equity investments in the following investees indirectly, Zhuhai Qianyou and Guangzhou Yuechuan Network Technology, Co., Ltd. ("Guangzhou Yuechuan"), Chengdu Diting Technology, Co., Ltd. ("Chengdu Diting") and Shenzhen Kushiduo Network Technology, Co., Ltd. ("Shenzhen Kushiduo"). Both Zhuhai Qianyou and Guangzhou Yuechuan were accounted for under the equity method because the Group has one out of three seats on the board of directors of Zhuhai Qianyou and one out of five seats on the board of directors for Guangzhou Yuechuan. Chengdu Diting and Shenzhen Kushiduo were accounted for under the cost method due to the fact that the Group does not have significant influence on these companies.

	Percentage of ownership of common share	
Investee	**December 31, 2013**	**March 31, 2014**
Zhuhai Qianyou	19%	19%
Guangzhou Yuechuan	23.4%	23.4%
Chengdu Diting	19.9%	19.9%
Shenzhen Kushiduo	10%	10%

10. Deferred revenue

(In thousand)	December 31, 2013	March 31, 2014
Online game revenues	1,650	2,281
Membership subscription revenues	30,051	29,008
Pay per view revenues	261	350
Total	31,962	31,639
Less: non-current portion	(2,610)	(2,056)
Deferred revenue, current portion	29,352	29,583

Deferred revenue represents prepaid membership subscriptions under the VIP membership program, prepaid subscriptions under the pay per view program and unamortized portion of online game revenue arising from sales of in-game virtual items.

11. Accrued liabilities and other payables

(In thousand)	December 31, 2013	March 31, 2014
Payroll and welfare	8,784	8,583
Receipts in advance from customers	2,211	2,139
Agency commissions and rebates—online advertising	9,745	9,367
Tax levies	1,198	701
Payables for purchase of equipment	4,157	3,398
Payables for advertisement on exclusive online games	2,797	1,757
Legal and litigation related expenses (Note 23)	288	964
Professional fees	574	1,973
Staff reimbursements	1,228	653
Content copyrights deposits (Note a)	1,555	942
Rental expense	70	70
Others	800	731
Total	33,407	31,278

note a: Content copyrights deposits are recognized under a barter transaction when the Group has yet to provide the content copyrights to the counterparty while the Group has received the content copyrights from the counterparty.

12. Cost of revenues

(In thousand)	three months ended March 31 2013	2014
Bandwidth costs	7,714	10,334
Content costs, including amortization	7,927	8,047
Payment handling fees	3,084	3,165
Depreciation of servers and other equipment	949	1,363
Games sharing costs and others	1,109	955
Total	20,783	23,864

13. Redeemable convertible preferred shares

Series D convertible redeemable preferred shares

On January 31, 2012, the Company entered into an agreement to issue Series D preferred shares and warrants to a third-party investor for a total consideration of USD 37,500 thousand. Pursuant to the agreement, the Company issued 10,580,397 Series D preferred shares at USD 3.544 per share; and warrants to purchase 2,218,935 Series D preferred shares at USD 3.38 per share at the option of the holders. In addition, the third-party investor also purchased a total of 5,036,367 existing shares directly from other then existing shareholders and they are entitled to the same rights as attached to the respective classes of existing shares.

The key terms of the Series D preferred shares are as follows:

Dividend rights

The holders of the Series D preferred shares are entitled to participate in any dividend pari passu with common shareholders of the Company on an as-converted basis.

Liquidation preferences

Amount shall be paid to Series D holders before any distribution or payment shall be made to the holders of Series A, Series A-1, Series B and C preferred shares. If assets for distribution are insufficient to pay off Series D holders, the assets shall be distributed among the holders of Series D in proportion to the full amounts to which they would otherwise be respectively entitled thereon on an as-converted basis.

Upon issuance of Series E preferred shares, the liquidation preference of Series D preferred shares was amended. Before any distribution or payment shall be made to the Series A, A-1, B and C shareholders (for the purpose of this clause, such holders do not include Skyline Global Company Holdings Limited ("Skyline Holdings", or "Series D Investor"), the Series D holder, who also holds any Series A, A-1, B and any other Junior Securities) an amount shall be paid with respect to each share held by Skyline Holdings equal to original issue price.

Voting rights

The holders of the Series D preferred shares shall be entitled to such number of votes equal to the whole number of common shares into which such Series D preferred shares are convertible.

Conversion rights

Each Series D preferred share is convertible at the option of the holder, at any time after the issuance of such shares, and each share can be converted into one common share of the Company. The conversion is subject to adjustments for certain events, including but not limited to additional equity securities issuance, reorganization, mergers, share dividends, distribution, subdivisions, redemptions, combinations, or consolidation of common shares. The conversion price is also subject to adjustment in the event the Company issues additional common shares at a price per share that is less than such conversion price. In such case, the conversion price shall be reduced to adjust for dilution on a weighted average basis.

In addition, each Series D preferred share would automatically be converted into common shares of the Company (i) upon the closing of an initial public offering of the Company's shares or (ii) upon written notice to convert given to the Company by the holders of a majority of Series D preferred shareholders.

Redemption right

The Series D preferred shares are redeemable at any time after the 4th anniversary of the initial closing on February 6, 2012 to request the Company to purchase all Series D preferred shares and shares issuable upon the conversion or exercise of the Series D warrants. This redemption right expires after the 5th anniversary of the initial closing of the transaction. The redemption price shall be equal to the aggregate amount of price paid at USD3.544, plus all declared but unpaid dividends up to the date of redemption plus interest of 8% per annum compounded annually from the closing of the Series D preferred shares investment ("Initial Closing") up to and including the date of redemption.

The Company has determined that the Series D preferred shares should be classified as mezzanine equity because the preferred shares are only contingently redeemable by the holder four years after the initial closing date. The Series D warrant is initially measured at its fair value and the initial carrying value for Series D preferred shares is allocated on a residual basis as it is liability classified. The initial carrying value for Series D preferred shares is USD 32,481 thousand, the related capitalized expense is USD 2,012 thousand. There were no beneficial conversion features for the Series D preferred shares.

The carrying value of the preferred shares is accreted from its carrying value on the date of issuance to the redemption value using effective interest method from date of issuance to the earliest redemption date. The accretion was recorded against retained earnings, or in the absence of retained earnings, by charging against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges should be recorded by increasing the accumulated deficit.

The Company has determined that conversion and redemption features embedded in the Series D convertible redeemable preferred shares are not required to be bifurcated and accounted for as a derivative.

(In thousand)	December 31, 2013	March 31, 2014
Beginning balance	35,990	40,290
Deemed dividend from modification	—	279
Accretion to redemption value	4,300	1,153
Ending balance	40,290	41,722

Series D warrants

The holder of the Series D warrants has the right to exercise the warrants at the earlier of (i) 24 months from date of Initial Closing or (ii) automatically exercised immediately prior to the closing of the following transactions: (a) mergers or consolidation of the Company, b) initial public offering, c) transaction in which in excess of 50% of the Company's equity is transferred to any person, d) sale, transfer, lease, assignment conveyance, exchange, mortgage, or other disposition of all or substantially all of the assets of the Company. The warrants are not entitled to dividend rights nor to vote until the warrants are exercised and shares become issuable. Series D warrants are classified as a liability and initially measured at their fair value at USD 3,007 thousand. As of December 31, 2013, the fair value of Series D warrants was USD 2,186 thousand.

Exchange of Series D warrants and the issuance of Series E warrants

The warrants to purchase 1,952,663 and 266,272 Series D preferred shares at USD3.38 per share expired on February 6, 2014 and March 1, 2014, respectively. On the date of the expiration, the warrant was measured at a fair value of USD2,414 thousand. It was agreed that upon issuance of the Series E preferred shares on March 5, 2014, the Company would issue to the Series D investor warrants to purchase 3,406,824 Series E preferred shares with an exercise price of USD2.82. These warrants are exercisable at the option of the holder, at any time, no later than the earlier of (1) the pricing date of the initial public offering of the Company or (2) March 1, 2015. As the warrants are exercised into mezzanine equity, the warrants are classified as a liability and were initially measured at a fair value of USD2,819 thousand. As of March 31, 2014, the fair value of Series E warrants was USD 2,778 thousand.

The exchange of the Series D warrants and the issuance of the Series E warrants are considered to be a related transaction and are accounted for as a single transaction because the holder was willing to allow the Series D warrants to expire in contemplation that they will be issued Series E warrants. A loss of USD405 thousand, which is the difference in value of the Series D warrants on the expiration date and the value of the Series E warrants on the issuance date was charged to the income statement in quarter one of 2014.

The fair value of the Series D warrants and the Series E warrants was estimated by the Company with the assistance of an independent valuation firm based on the Company's estimates and assumptions. The valuation report provided the Company with guidelines in determining the fair value, but the ultimate determination was made by the Company. The

Company applied the Black-Scholes Option Pricing Model to calculate the fair value of the Series D warrants and Series E warrants on the valuation date.

The major assumptions used in calculating the fair value of the Series D warrants includes:

	December 31, 2013	February 6, 2014	March 1, 2014
Spot price(1)	4.36	4.47	4.47
Risk-free interest rate(2)	0.05%	0%*	0%*
Volatility rate(3)	30.33%	0%*	0%*
Dividend yield(4)	—	—	—

* Given that the maturity date of Series D warrant was February 6, 2014, and March 1, 2014 the volatility rate and risk-free interest rate did not affect the valuation of the warrant on February 6, 2014.

The major assumptions used in calculating the fair value of the Series E warrants includes:

	March 5, 2014	March 31, 2014
Spot price(1)	3.31—4.65	3.30—4.65
Risk-free interest rate(2)	0.04%—0.12%	0.05%—0.10%
Volatility rate(3)	38.39%—38.81%	40.07%—41.0%
Dividend yield(4)	—	—

(1) Spot price—based on the fair value of 100 percent equity interest of the Company which is allocated to preferred shares and common shares of the Company as at the valuation date under different scenarios.

(2) Risk-free interest rate—based on the US Treasury Bond & Notes BFV curve from Bloomberg as at the valuation date.

(3) Volatility—based on the average historical volatility of the comparable companies from Bloomberg as at the valuation date.

(4) The Company has no history or expectation of paying dividends on its common shares.

Triggering of the anti-dilution clause

Upon issuance of Series E preferred shares in March 2014, the Company adjusted the Series D conversion price from USD3.5 to USD2.86 per share for 6,771,454 Series D preferred shares held by the Series D Investor. The Company concluded that the downward conversion price adjustment is in accordance with the anti-dilution clause in the original Series D financing agreement. As a result of this anti-dilution, the Company will issue a total of 8,387,806 common shares on a fully-converted basis of the original 6,771,454 Series D preferred shares when the conversion right is exercised by the holder. For the remaining 3,808,943 Series D preferred shares held by the Series D Investor, the Series D investor agreed to waive the anti-dilution clause as the Series D Investor has planned to sell these shares to the Company. The waiver of this anti-dilution clause is accounted for as a modification of the terms of the Series D preferred shares. However, it was determined that the incremental value contributed by the Series D Investor was deemed to be a transfer of value between the preferred shareholders because 1) the change in value of the common shares before and after the modification was deemed to be negligible and 2) the modification of the Series D preferred shares were also made concurrent with the sale of the Series E preferred shares. The Company concluded that this is evidence to suggest that most of the value was transferred from the Series D preferred shareholder to the other existing preferred shareholders. Therefore, no accounting charge was recorded.

The downward adjustment of the conversion price did not contain a contingent beneficial conversion feature.

Modification of redemption rights

Upon issuance of the Series E preferred shares in March 2014, the Company amended the redemption rights of 6,771,454 Series D preferred shares. The Series D investor shall have the right to request the Company to purchase its shares after February 28, 2017 but no later than February 28, 2018. Prior to the modification, the holder had the right to request the Company to purchase its shares after February 6, 2016 but no later than February 6, 2017. The amendment of the redemption date is accounted for as modification of the terms of Series D preferred shares. The incremental value received by the Series D preferred shareholder amounted to USD279 thousand and was deemed to be a transfer of value between the preferred shareholder and common shareholders and the amount was charged to retained earnings.

In determining the accounting for the modification of the Series D preferred shares, the Company estimated the valuation of the Series D preferred shares with the assistance of an independent valuation firm based on the Company's estimates and assumptions. Option-pricing method was used to allocate enterprise value to preferred and ordinary shares, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid, "Valuation of Privately-Held Company Equity Securities Issued as Compensation". The method treats common stock and preferred stock as call options on the enterprise's value, with exercise prices determined based on the liquidation preference of the preferred stock. The option-pricing method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of the Company or an initial public offering, and estimates of the volatility of the Company's equity securities. The anticipated timing is based on the plans of 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. The Company estimated the volatility of its shares to range from 38.39% to 43.40% based on the historical volatility of comparable publicly traded shares of companies engaged in similar lines of business.

Modification of liquidation rights

Upon issuance of the Series E preferred shares, the Company amended the liquidation rights of Skyline Holdings' common shares, Series A preferred shares, Series A-1 preferred shares, and Series B preferred shares (collectively, the "Series D Investor Shares"). As a result of this amendment, the Series D Investor Shares have priority to receive proceeds from the Company upon liquidation over the common shares, Series A preferred shares, Series A-1 preferred shares, Series B preferred shares and Series C preferred shares held by other investors. This right given to the Skyline Holdings is non-transferable to a third party. The amendment of the liquidation rights is accounted for as modification of the terms of Series D Investor Shares. However, the incremental value received by Skyline Holdings is deemed to be negligible. No accounting charge was recorded by the Company. Similar to the modification of the Series D preferred shares as stated above, the fair value of the Series D preferred shares was estimated by the Company with the assistance of an independent valuation firm based on the Company's estimates and assumptions. The Option-pricing method as described above, was also used to account for this modification. The Company estimated the volatility of its shares to range from

38.39% to 43.40% based on the historical volatility of comparable publicly traded shares of companies engaged in similar lines of business.

The Group has determined that there was no beneficial conversion feature attributable to the Series D preferred shares because the initial and adjusted effective conversion prices of these preferred shares were higher than the fair value of the Company's common shares determined by the Group with the assistance from an independent valuation firm.

Series E convertible redeemable preferred shares

On March 5, 2014, the Company entered into an agreement to issue Series E preferred shares and warrants to a third-party investor ("Series E Investor") for a total consideration of USD 200 million. Pursuant to the agreement, the Company issued 70,975,491 Series E preferred shares at USD 2.82 per share; and warrants to purchase 17,743,873 Series E preferred shares at USD 2.82 per share at the option of the holders. In addition, within 3 months after the closing, the Series E Investor shall have the right to purchase, or designate any other person/party to purchase from the Company an additional 35,487,746 Series E preferred shares, at a price equal to USD 2.82 per share.

The key terms of the Series E preferred shares are as follows:

Dividend rights

The holders of the Series E preferred shares are entitled to participate in any dividend pari passu with common shareholders of the Company on an as-converted basis.

Liquidation preferences

Before any distribution or payment shall be made to the holders of Series A, Series A-1, Series B, Series C and D preferred shares, an amount shall be paid to Series E holders with respect to each Series E preferred share held by the Series E holder equal to 100% of the applicable original issue price.

Voting rights

The holders of the Series E preferred shares shall be entitled to such number of votes equal to the whole number of common shares into which such Series E preferred shares are convertible.

Conversion rights

Each of the Series E preferred shares is convertible at the option of the holder, at any time after the issuance of such shares, and each share can be converted into one common share of the Company. The conversion is subject to adjustments for certain events, including but not limited to additional equity securities issuance, reorganization, mergers, share dividends, distribution, subdivisions, redemptions, combinations, or consolidation of common shares. The conversion price is also subject to adjustment in the event the Company issues additional common shares at a price per share that is less than such conversion price. In such case, the conversion price shall be reduced to adjust for dilution on a weighted average basis.

In addition, each of the Series E preferred shares would automatically be converted into common shares of the Company (i) upon the closing of an initial public offering of the Company's shares or (ii) upon written notice to convert given to the Company by the holders of a majority of Series E preferred shareholders.

Redemption right

The Series E preferred shares are redeemable at the option of the investor any time after March 1, 2018 but not later than March 1, 2019.

The redemption price shall be equal to the aggregate amount of price paid per such share pursuant to the share purchase agreement (i.e. USD 2.82), plus interest on the original issue price applicable to each Series E convertible redeemable preferred share at a rate of 15% per annum compounded annually from the issuance date up to and including the date of redemption, plus all declared but unpaid dividends and distributions on any such Shares;

If the Company does not have sufficient funds to redeem all of the redeemable shares, the Company shall redeem a pro rata portion of each holder's redeemable shares out of funds legally available; and redeem the remaining shares as soon as practically after the Company has funds legally available therefor.

The Company has determined that the Series E preferred shares should be classified as mezzanine equity in the unaudited condensed consolidated balance sheets because the preferred shares are only contingently redeemable by the holder four years after the issuance date. The carrying value of the preferred shares is accreted from its carrying value on the date of issuance to the redemption value using the effective interest method from date of issuance to the earliest redemption date. The accretion was recorded against retained earnings, or in the absence of retained earnings, by charging against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges should be recorded by increasing the accumulated deficit.

The Company assessed beneficial conversion feature attributable to the Series E preferred shares and determined that there was a beneficial conversion feature with an amount of USD52,377 thousand, which was bifurcated from the carrying value of Series E preferred shares as a contribution to additional paid-in capital upon issuance of Series E preferred shares. The discount of USD52,377 thousand resulting from the recognition of the beneficial conversion feature will be amortized from the date of the issuance to the first redemption date of the Series E preferred shares as a deemed dividend to preferred shareholders and charged against retained earnings, and in the absence of retained earnings, a charge to additional paid-in capital. The beneficial conversion feature is calculated based on the difference between an adjusted conversion price of USD2.31 and the Company's common share fair value of USD3.05 multiplied by the number of shares into which the preferred shares are convertible into. The conversion price was adjusted from USD2.82 to USD2.31 principally because liability classified instruments, such as the warrants and the subscription rights (see below for further information) were issued with the Series E preferred shares. Since the warrants and the subscription rights are classified as liability, the sales proceeds are first allocated to the warrants and the subscription rights' full fair value (not relative fair value) and the residual

amount of the sales process is allocated to the Series E preferred shares to calculate the beneficial conversion feature.

(In thousand)	December 31, 2013	March 31, 2014
Beginning balance	—	—
Addition	—	164,640
Beneficial conversion feature of Series E convertible redeemable preferred shares	—	(52,377)
Beneficial conversion feature amortization	—	933
Accretion to redemption value	—	2,525
Ending balance	—	115,721

Exchange of Series E Investor options for transfer restrictions

As part of the issuance of the Series E preferred shares, the Series E Investor and the Company's founders (who are also employees) and two employees (collectively the "Grantees") of the Company agreed that (i) Series E Investor will grant to the Grantees the right to purchase certain number of restricted shares of the Series E Investor's own shares with a total subscription consideration of not more than USD20 million at a subscription price subscription price per share that reflects the valuation of the Series E Investor being USD10 billion (the "Series E Investor Options"); and (ii) the Grantees agreed to impose a transfer restriction (the "Transfer Restrictions") on 39,934,162 common shares, 3,394,564 unvested restricted shares, 180,000 unvested options and 180,000 vested options (the "Shares") owned by the Grantees. The Transfer Restrictions prohibit the Grantees from transferring their shares to another person/party until April 24, 2018 or April 24, 2019 as appropriate without the prior written consent of the holders of at least 75% of the Series E preferred shares holders The Series E Investor Options and the Transfer Restrictions are not tied to the Grantees' future employment with the Company.

The value of the Transfer Restrictions was determined to be significantly greater than the value of Series E Investor Options. In determining the value of the Transfer Restrictions, the Company was assisted by an independent valuation firm based on data provided by the Company. The valuation of the Transfer Restrictions is estimated to be USD43.3 million (refer to the valuation methodology below). For the valuation of the Series E Investor Options, the Company was only able to obtain limited financial information from the Series E Investor, a private company, to perform a valuation analysis. This information includes high level 2013 revenue data and information of a third party investment transaction that valued the Series E Investor at USD10 billion in August of 2013. Given the lack of financial information, the Company is unable to determine a more precise estimate of the fair value of the Series E Investor Options on the exchange date. If the fair value of the Series E Investor Options were worth USD43.3 million, the estimated value of the Transfer Restrictions, the Series E Investor itself would need to be estimated at a valuation in excess of USD30 billion on March 5, 2014. The Company does not expect the valuation of the Series E Investor to increase by 200% from USD 10 billion in August 2013 to USD 30 billion in March 2014. Hence, no incremental benefit was given to the Grantees and no compensation expense was recognized.

To determine the fair value of the Transfer Restrictions, the Company valued the common shares with the Transfer Restrictions and compared this value to the value of the common shares without the restriction. The difference was determined to be the value of the Transfer Restrictions. A put option pricing model was used to determine the discount to be applied to the common shares to arrive at the value of common shares with the Transfer Restrictions. Pursuant to that model, the Company used the cost of a put option, which can be used to hedge the price change before a share subject to transfer restriction can be sold, as the basis to determine the discount for transfer restrictions. A put option was used because it incorporates certain company-specific factors, including timing of the expected initial public offering or duration of the Transfer Restriction and the volatility of the share price companies engaged in the same industry.

Series E Warrants

The Series E warrants ("Series E warrants") granted to the Series E Investor is exercisable at the option of the Series E Investor, at any time, on or after January 1, 2015 and no later than March 1, 2015. The warrants are not exercisable if the Company has completed the initial public offering in the United States by December 31, 2014. The exercise price shall be adjusted from time to time as provided below: proportionate adjustment for issuance of additional common shares, share split and combination, dividend and distributions, reclassification, reorganization, merger, and consolidations.

The warrants are not entitled to dividend rights nor to vote until the warrants are exercised and shares become issuable. The Series E warrants are initially measured at its fair value and the initial carrying value for Series E preferred shares is allocated on a residual basis as the warrant is liability classified. The Series E warrants are initially measured at their fair value of USD 6,477 thousand. As of March 31, 2014, the fair value of Series E warrants were USD 6,459 thousand.

The fair value of the Series E warrants were estimated by the Company with the assistance from an independent valuation firm based on data provided by the Company. The valuation report provided by the Company with guidelines in determining the fair value, but the determination was made by the Company. The Company applied the Black-Scholes Option Pricing Model to calculate the fair value of the Series E warrants on the valuation date.

The major assumptions used in calculating the fair value of the Series E warrants includes:

	March 5, 2014	March 31, 2014
Spot price(1)	4.50—4.65	4.49—4.65
Risk-free interest rate(2)	0.12%	0.10%
Volatility rate(3)	38.81%	40.07%
Dividend yield(4)	—	—

(1) Spot price—based on the fair value of 100 percent equity interest of the Company which is allocated to preferred shares and common shares of the Company as at the valuation date under different scenarios. The probability of the occurrence of an IPO is assumed to be 80%, the probability of the occurrence of a liquidation event is assumed to be 10% and the probability of the occurrence of a redemption event is assumed to be 10%

(2) Risk-free interest rate—based on the US Treasury Bond & Notes BFV curve from Bloomberg as at the valuation date.

(3) Volatility—based on the average historical volatility of the comparable companies from Bloomberg as at the valuation date.

(4) The Company has no history or expectation of paying dividends on its common shares.

Subscription rights

Within 3 months after March 5, 2014, the Series E Investor shall have the right ("Subscription Rights") to purchase, or designate any other person/party to purchase from the Company an additional number of 35,487,746 Series E preferred shares, at a price equal to the purchase price per share (USD 2.82) of the Series E issuance. The exercise price shall be adjusted from time to time as provided below: proportionate adjustment for issuance of additional common shares, share split and combination, dividend and distributions, reclassification, reorganization, merger, and consolidations. The Subscription Rights are not entitled to dividend rights nor to vote until the Subscription Rights have been exercised and shares are issuable.

The fair value of the Subscription Rights were estimated by the Company with the assistance from an independent valuation firm based on data provided by the Company. The valuation report provided by the Company with guidelines in determining the fair value, but the determination was made by the Company. The Company applied the Black-Scholes Option Pricing Model to calculate the fair value of the Subscription Rights on the valuation date. The Subscription Rights are initially measured at their fair value of USD 28,208 thousand. As of March 31, 2014, the fair value of Subscription Rights was USD 27,852 thousand.

The major assumptions used in calculating the fair value of the Subscription Rights includes:

	March 5, 2014	March 31, 2014
Spot price(1)	3.31—4.65	3.30—4.65
Risk-free interest rate(2)	0.04%	0.05%
Volatility rate(3)	38.12%	42.39%
Dividend yield(4)	—	—

(1) Spot price—based on the fair value of 100 percent equity interest of the Company which is allocated to preferred shares and common shares of the Company as at the valuation date under different scenarios. The probability of the occurrence of an IPO is assumed to be 80%, the probability of the occurrence of a liquidation event is assumed to be 10% and the probability of the occurrence of a redemption event is assumed to be 10%.

(2) Risk-free interest rate—based on the US Treasury Bond & Notes BFV curve from Bloomberg as at the valuation date.

(3) Volatility—based on the average historical volatility of the comparable companies from Bloomberg as at the valuation date.

(4) The Company has no history or expectation of paying dividends on its common shares.

14. Common shares

The Company's Memorandum and Articles of Association authorized the Company to issue 355,532,959 shares of USD0.00025 par value per common share. Each common share is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors, which is subject to the approval by the holders of the number of common shares representing a majority of the aggregate voting power of all outstanding shares. In April 8, 2011, the board of directors approved the cancellation of 56,067,952 treasury shares that had been held by the Company since 2005. As of December 31, 2013 and March 31 2014, there were 61,447,372 common shares outstanding. In November 2013, 9,073,732 shares of USD0.00025 par value per common shares were issued to Leading Advice Holdings Limited, a BVI company owned by the Group's chairman and chief executive officer for no consideration. While the common shares have been legally issued, the common shares issued to Leading Advice do not have the attributes of unrestricted, issued and outstanding shares. Therefore, these shares issued to Leading Advice are accounted for as treasury shares. Please see note 17 for more information.

In association with the issuance of Series E preferred shares in March 2014, 469,225 common shares held by Skyline Holdings were granted liquidation rights. The voting and dividend rights of the holders of the common shares held by Skyline Holdings and by the Company's other investors are identical, except with respect to the liquidation rights as stated above. The liquidation rights attached to Skyline Holdings' 469,225 common shares will have priority to receive proceeds from the Company upon liquidation over the common shares, Series A preferred shares, Series A-1 preferred shares, Series B preferred shares and Series C preferred shares held by other investors. The additional of the liquidation rights is accounted for as a modification of the terms of Skyline Holding's common shares. However, the incremental value received by Skyline Holdings is deemed to be negligible.

15. Convertible preferred shares

As at March 31, 2014, the Company had 26,416,560 Series A preferred shares, 36,400,000 Series A-1 preferred shares, 30,308,284 Series B preferred shares and 5,728,264 Series C preferred shares outstanding.

The key terms of the Series A, Series A-1, Series B and Series C preferred shares are as follows:

Dividend rights

The holders of the Series A, Series A-1, Series B and Series C preferred shares are entitled to participate in any dividend pari passu with common shareholders of the Company on an as-converted basis.

Liquidation preferences

In the event of a liquidation, dissolution or winding up of the Company, available assets and funds of the Company are distributed to the holders of the preferred shares in order of 1) Series C and Series B which are grouped as one class for the purpose of liquidation preference, 2) Series A-1 and then 3) Series A, at their respective original issuance price per share plus any declared but unpaid dividends adjusted for share splits, share dividends, recapitalizations, and other adjustments. In the event that available assets and funds are insufficient to permit payment to the holders of the less senior class of preferred shares, the assets and funds will be distributed ratably to that class of preferred shareholders based on their proportional share ownership. After the distribution to the holders of Series C and Series B, Series A-1, Series A preferred shares and common shares are made, any remaining legally available assets and funds shall be distributed to the holders of common shares and Series C and Series B, Series A-1 and Series A preferred shares pro rata on an as-converted basis.

In addition, the following events are deemed liquidation events in which case any proceeds derived from such deemed liquidation events will be distributed in the order discussed above. If no proceeds are derived from such deemed liquidation events, the Series B preferred shareholders shall have the right to require the Company to repurchase all or any of the outstanding Series B preferred shares at the original issue price.

1) Any consolidation or merger of the Company or other corporate reorganization, in which the shareholders of Company own less than a majority of the voting power of the Company or surviving company, after such consolidation, merger or reorganization

2) A sale of other disposition of all or substantially all of the assets of the Company or the Group

3) A transfer or an exclusive licensing of all or substantially all of the intellectual property of the Company

However, all liquidation events or deemed liquidation event have to be approved by a special resolution passed by a duly convened general meeting of the Company, which require presence of a representative from the common shareholders, a representative from Series A-1 preferred shareholders and a representative from Series B preferred shareholders. Accordingly, the Company determined that the deemed liquidation events are within control of the Company and the Series B preferred shareholders do not have control of the Company. Therefore, the deemed liquidation events do not preclude the Series B preferred shares from being classified within permanent equity.

Voting rights

The holders of the Series A, Series A-1, Series B and Series C preferred shares shall be entitled to such number of votes equal to the whole number of common shares into which such Series A, Series A-1, Series B and Series C preferred shares are convertible.

Conversion rights

Each of the Series A, Series A-1, Series B and Series C preferred shares is convertible at the option of the holder, at any time after the issuance of such shares, and each share can be converted into one common share of the Company. In addition, each of the Series A, Series A-1, Series B and Series C preferred shares would automatically be converted into common shares of the Company upon (i) an underwritten public offering of the Company's shares on major stock exchanges, including Nasdaq Global Market that results in proceeds to the Company of at least USD 50 million ("QIPO") or (ii) upon written notice to convert given to the Company by the holders of a majority of such class or series of preferred shares in issue, in each case voting as a separate class on an as converted basis, as applicable.

At the time of issuance, the Series A preferred shares issued to one of the shareholders in 2005 contained a beneficial conversion feature of USD 54 thousand and the amount was charged to retained earnings in 2005 as a deemed dividend.

At the time of anti-dilution, the Series C preferred shares anti-diluted in 2012 contained a beneficial conversion feature of USD 286 thousand and the amount was charged to retained earnings in 2012 as a deemed dividend. There were no beneficial conversion features for the other issuance.

In April, 2011, the Company removed the USD 50 million threshold from the definition of QIPO. The removal of the threshold did not have any significant impact to the financial statements of the Company.

None of the preferred shares are redeemable at the holders' option.

Modification in 2012

Upon issuance of Series D preferred shares in January 2012, the Company adjusted the Series C conversion price from USD5.24 to USD4.14 per share; and obtained an exclusive option to purchase at any time within 12 months after the date of the conversion for all, but not less than all, of Series C preferred shares at the purchase price of USD4.607 per common share. The

Series C conversion price could be adjusted for any share dividends, sub-division and consolidation, and unpaid dividend. As a result of this modification, the Company will issue a total of 7,248,293 common shares on a fully-converted basis of the original 5,728,264 Series C preferred shares when the conversion right is exercised by the holders. Other terms of the Series C preferred shares including the original liquidation rights remained unchanged.

The Company concluded that the downward conversion price adjustment from USD 5.24 to USD 5.13 is in accordance with the anti-dilution clause in the original Series C financing agreement. The incremental downward price adjustment from USD 5.13 to USD 4.14 and the right to an exclusive purchase option are accounted for as modifications of the terms of Series C preferred shares. The incremental value contributed by the Series C preferred shareholder amounted to USD 2,905 thousand and was deemed to be a transfer of value between the preferred shareholder and common shareholders and the amount was charged to additional paid-in capital.

In determining the accounting for the modification of the Series C preferred shares, the fair value of the Series C preferred shares was estimated by the Company with the assistance of an independent valuation firm based on data provided by the Company. The valuation report provided the Company with guidelines in determining the fair value, but the determination was made by the Company. Option-pricing method was used to allocate enterprise value to preferred and ordinary shares, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid, "Valuation of Privately-Held Company Equity Securities Issued as Compensation". The method treats common stock and preferred stock as call options on the enterprise's value, with exercise prices determined based on the liquidation preference of the preferred stock.

The option-pricing method involves making estimates of the anticipated timing of a potential liquidity event, such as a sale of the Company or an initial public offering, and estimates of the volatility of the Company's equity securities. The anticipated timing is based on the plans of 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. The Company estimated the volatility of its shares to range from 55.36% to 59.91% based on the historical volatilities of comparable publicly traded shares of companies engaged in similar lines of business.

Modification in 2014

In January of 2014, the Company modified the anti-dilution terms relating to 5,613,699 Series C preferred shares held by one investor ("Series C Investor 1"). The modification effectively amended the anti-dilution triggering price from USD4.14 to USD2.81 per share. The incremental downward trigger price adjustment from USD 4.14 to USD 2.81 is accounted for as modifications of the terms of Series C preferred shares. The incremental value contributed by the Series C preferred shareholder was deemed to be a transfer of value between the preferred shareholders because the change in the value of the common shares before and after the modification was deemed to be negligible. The Company concluded that this was evidence to suggest that most of the value was transferred from this Series C preferred shareholder to the other existing preferred shareholders. No accounting charge was recorded by the Company.

Triggering of the anti-dilution clause

Upon issuance of Series E preferred shares in March 2014, the Company adjusted the Series C conversion price from USD4.14 to USD3.64 per share relating to 114,565 Series C preferred

shares held by one investor ("Series C Investor 2"). The Company concluded that the downward conversion price adjustment from is in accordance with the anti-dilution clause in the original Series C financing agreement. As a result of this anti-dilution, the Company will issue a total of 164,771 common shares on a fully-converted basis of the original 114,565 Series C preferred shares when the conversion right is exercised by the holder. At the time of this anti-dilution, the Series C preferred shares anti-diluted in 2014 contained a beneficial conversion feature of USD 57 thousand and the amount was charged to retained earnings in 2014 as a deemed dividend. The issuance of the Series E preferred shares did not triggered the anti-dilution term of Series C Investor 1 as their shares were modified as described above.

16. Non-controlling interest

Non-controlling interest include the interest owned by a shareholder of the Company in a subsidiary of the consolidated VIE.

In February 2010, Shenzhen Xunlei set up a new subsidiary named Xunlei Games Development (Shenzhen) Co., Ltd ("Xunlei Games") and holds 70% of its equity interests. A shareholder of the Company contributed RMB 3,000 thousand (equivalent to USD439 thousand) and holds 30% equity interests in Xunlei Games, which was accounted for as a non-controlling interest of the Group.

17. Share-based compensation

2010 share incentive plan

During the years presented, the Company granted share options to employees, officers and directors of the Group. There were no options granted to non-employees as of December 31, 2013 and March 31, 2014.

These options were granted with exercise prices denominated in USD, which is the functional currency of the Company. The maximum term of any issued stock option is seven or ten years from the grant date. Stock options granted to employees and officers vest over a four-year schedule as stated below:

(1) One-fourth of the options shall be vested upon the first anniversary of the grant date;

(2) The remaining three quarters of the options shall be vested on a monthly basis over the next thirty-six months. ($^1/_{48}$ of options shall be vested per month subsequently)

Stock options granted to directors were subject to a vesting schedule of approximately 32 months.

All share-based payments to employees are measured based on their grant-date fair values. Compensation expense is recognized on a straight-line basis over the requisite service period.

In December 2010, the Group adopted a share incentive plan, which is referred to as the 2010 Share Option Plan ("the 2010 Plan"). The purpose of the plan is to attract and retain the best available personnel by linking the personal interests of the members of the board, employees, and consultants to the success of the Group's business and by providing such individuals with an incentive for outstanding performance to generate superior returns for our shareholders. Under the 2010 Plan, the maximum number of shares in respect of which options, restricted shares, or restricted share units may be granted is 26,822,828 shares (excluding the share

options previously granted to the directors who are the founders of the Company). The amount of shares available for such grants as of March 31, 2014 is 5,393,770.

The following table summarizes the stock option activity for the three months ended March 31, 2014:

	Number of shares	Weighted average exercise price (USD)	Weighted-average grant-date fair value (USD)	Weighted average remaining contractual life (three months)	Aggregate intrinsic value (in thousands)
Outstanding, December 31, 2013	20,972,776	1.37	—	2.03	39,420
Granted	492,000	3.55	1.73	—	—
Forfeited	(35,718)	3.95	—	—	—
Outstanding, March 31, 2014	21,429,058	1.42	—	1.92	37,769
Vested and expected to vest at March 31, 2014	21,106,208	1.41	0.43	1.84	37,667
Exercisable at March 31, 2014	19,554,267	1.17	0.34	1.50	37,255

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates. Based upon the Company's historical and expected forfeitures for stock options granted, the directors of the Company estimated that its future forfeiture rate would be 20% for employees and nil for directors and advisors.

The aggregate intrinsic value in the table above represents the difference between the estimated fair value of the Company's common shares as of December 31, 2013 and March 31, 2014 and the exercise price.

Total fair values of options vested as of December 31, 2013 and March 31, 2014 were USD 6,271 thousand and USD 6,620 thousand, respectively.

As of December 31, 2013 and March 31, 2014, there were USD 2,803 thousand and USD 2,852 thousand of unrecognized share-based compensation costs related to stock options, which were expected to be recognized over a weighted-average vesting period of 2.66 and 2.86 years, respectively. To the extent the actual forfeiture rate is different from the Company's estimate, the actual share-based compensation related to these awards may be different from the expectation.

The Black-Scholes option pricing model is used to determine the fair value of the stock options granted to employees. The fair values of stock options granted during the three months ended March 31, 2014 were estimated using the following assumptions:

Options granted to employees

	three months ended March 31, 2014
Risk-free interest rate(1)	0.77% to 1.76%
Dividend yield(2)	—
Volatility rate(3)	40.07% to 43.30%
Expected term (in years)(4)	4.58

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the USD denominated China Government Bond yield as at the valuation dates.

(2) The Company has no history or expectation of paying dividends on its common shares.

(3) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.

(4) The expected term is developed by assuming the share options will be exercised in the middle point between the vesting dates and maturity dates.

2013 share incentive plan

In November 2013, the Group adopted a share incentive plan, which is referred to as the 2013 Share Incentive Plan ("the 2013 Plan"). The purpose of the plan is to motivate, attract and retain the best available personnel by linking the personal interests of senior management to the success of the Group's business. The Group appointed Leading Advice Holdings Limited ("Leading Advice"), a BVI company owned by the Group's chairman and chief executive officer for no consideration, to administer the plan as the Administrator. Leading Advice has no activities other than administering the plan and does not have employees.

On behalf of the Group, the Administrator has the authority to select the eligible participants to whom awards will be granted: determine the types of awards and the number of shares covered: establish the terms, conditions and provisions of such awards; cancel or suspend awards; and, accelerate the exercisability of awards. The Administrator is authorized to interpret the 2013 Plan; to establish, amend, and rescind any rules and regulations relating to the 2013 Plan; to determine the terms of agreements entered into with recipients under the 2013 Plan; and, to make all other determinations that may be necessary or advisable for the administration of the 2013 Plan. In the event of any disagreement between the Group and Leading Advice, the Group's decision shall be final and binding.

In November 2013, the Company issued 9,073,732 common shares to Leading Advice. Although the shares were legally issued to Leading Advice, Leading Advice does not have any of the rights of a typical common share holder. Leading Advice 1) is not entitled to dividends, 2) does not have the right to vote prior to vesting, and 3) does not have the right to sell the unvested portion of the awards or awards that have not been granted. In addition, upon 1) the liquidation of Leading Advice, 2) the dissolution of Leading Advice, and 3) the expiration of the 2013 Plan, common shares not granted as awards shall be transferred back to the Group at no consideration. Shares not granted at the closing of a QIPO will still be held by Leading Advice on behalf of the Company. Given the structure of this arrangement, while the common shares have been legally issued, the common shares issued to Leading Advice do not have the attributes of unrestricted, issued and outstanding shares. Therefore, the 9,073,732 common shares issued to Leading Advice are accounted for as treasury shares until these common shares are earned by the senior management for service provided to the Group.

The Group will record compensation expense for shares over the vesting period.

For the awards that have been granted and become vested, Leading Advice will hold shares for the grantees' benefit and exercise the voting rights on their behalf. The grantees will be entitled to dividends and have the right to request Leading Advice to transfer vested award to a transferee designated by the grantees. Shares that have been granted and are vested will continue to be held by and voting rights exercised by Leading Advice on behalf of the grantee at the closing of a QIPO.

Before the closing of a QIPO, the Company will have a "right of first refusal" with respect to any proposed transfer of vested restricted shares. After the closing of a QIPO, vested restricted shares may not be sold or transferred for a period of six months or a period of time

determined by the underwriter (the "lock up period"). If the grantee terminates its employment prior to the closing date of a QIPO and a trade sale, the Group will have the right to acquire the vested restricted shares from the senior officer at a market price as determined by third-party valuation experts.

The Group has considered whether Leading Advice is a variable interest entity and, if so, whether the Group is the primary beneficiary. The Group concluded that it is not the primary beneficiary of Leading Advice.

Upon the closing of a QIPO, the 2013 Plan will be administered by the Company's board of directors or the compensation committee of the board of directors formed in accordance with applicable exchange rules.

Under the 2013 Plan, the maximum number of restricted shares that may be granted is 9,073,732 shares.

As of March 31, 2014, 6,767,618 restricted shares were outstanding. 5,733,213 of these restricted shares will be vested over a four-year schedule in which one-fourth of the restricted shares shall be vested upon the first, second, third, and fourth anniversary of the grant date, respectively. Upon a QIPO, the Administrator, on behalf of the Group, may immediately accelerate the vesting of the restricted shares. If the restricted shares are accelerated, it will be considered vested as of the date specified by the Administrator. The Company has no plan to accelerate the vesting of the restricted shares upon a QIPO. 180,000 of these restricted shares will be vested upon the first month of the grant date. The remaining 854,405 restricted shares granted will be vested over a four-year schedule as stated below:

1) One-fourth of the restricted shares shall vest on the earlier of: (i) the first anniversary of the grant date, or (ii) upon a QIPO.

2) The remainder three quarters of the restricted shares shall vest in equal instalments on a monthly basis over a thirty-six month vesting period afterwards.

A summary of the restricted shares activities for the quarter ended March 31, 2014 is presented below:

(In thousand)	Number of RSUs	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2013:	8,095,238	—
Granted	2,100,000	3.06
Forfeited*	(3,427,620)	—
Outstanding at March 31, 2014	6,767,618	—
Ungranted	2,306,114	
Vested and expected to vest at March 31, 2014	5,752,475	

* The forfeited restricted shares are available for future grants to senior officers.

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

All restricted shares granted to senior officers are measured based on their grant-date fair values. Compensation expense is recognized on a straight-line basis over the requisite service

period. As of March 31, 2014, total unrecognized compensation expense relating to the restricted shares was USD 19,723 thousand. No restricted shares were issued to non-employees.

Total compensation costs recognized for the three months ended March 31, 2013 and 2014 are as follows:

	three months ended March 31,	
(In thousand)	**2013**	**2014**
Sales and marketing expenses	9	12
General and administrative expenses	84	859
Research and development expenses	235	191
Total	**328**	**1,062**

18. Basic and diluted net income per share

Basic and diluted net income / (loss) per share for the periods ended March 31, 2013 and 2014 are calculated as follows:

	three months ended March 31,	
	2013	**2014**
Numerator (in thousand):		
Net income attributable to Xunlei Limited	3,901	397
Contingent beneficial conversion feature of series C to a Series C shareholder	—	(57)
Deemed dividend to Series D shareholder from its modification	—	(279)
Amortization of beneficial conversion feature of Series E	—	(933)
Accretion of Series D to convertible redeemable preferred shares redemption value	(1,060)	(1,153)
Accretion of Series E to convertible redeemable preferred shares redemption value	—	(2,525)
Allocation of net income to participating preferred shareholders	(1,828)	—
Numerator of basic net income / (loss) per share	1,013	(4,550)
Dilutive effect of warrants	(253)	—
Dilutive effect of preferred shares	—	—
Numerator for diluted income / (loss) per share	760	(4,550)
Denominator:		
Denominator for basic net income / (loss) per share-weighted average shares outstanding	61,447,372	61,447,372
Dilutive effect of warrants	2,218,935	—
Dilutive effect of share options and restricted shares	12,235,673	—
Denominator for diluted net income / (loss) per share	75,901,980	61,447,372
Basic net income / (loss) per share	0.02	(0.07)
Diluted net income / (loss) per share	0.01	(0.07)

The following common shares equivalent were excluded from the computation of diluted net income per common share for the periods presented because including them would have had an anti-dilutive effect:

	three months ended March 31,	
	2013	2014
Preferred shares—weighted average	110,953,534	132,737,028
Share options—weighted average	2,105,284	2,111,639

19. Related party transactions

The table below sets forth the related parties and their relationships with the Group:

Related Party	Relationship with the Group
Zhuhai Qianyou	Equity investment of the Group
Guangzhou Shulian Information Technology, Co., Ltd. ("IDG Guangzhou")	Shareholder of the Group
Hao Cheng	Co-founder and shareholder of the Group
Xiaomi Technology Co., Ltd	Shareholder of the Group
Leading Advice	Company owned by a Co-founder and shareholder of the Group

During the three months ended March 31, 2013 and 2014, significant related party transactions were as follows:

	three months ended March 31,	
(In thousand)	2013	2014
Game sharing costs paid and payable to Zhuhai Qianyou (note a)	249	212
Repayment from Hao Cheng	—	85
Advertisement revenue from Beijing Xiaomi Technology Co., Ltd	—	554

note a—The Company obtained an exclusive game operation right from Zhuhai Qianyou, which is specialized in developing online games. According to the agreement, the Company will share revenues derived by the licensed games with Zhuhai Qianyou.

In November 2013, the Company issued 9,073,732 common shares to Leading Advice, a company owned by the Group's chairman and chief executive officer. The issurance of common shares was to facilitate the administration of the 2013 Plan. Please refer to note 17 for more information.

As of December 31 2013 and March 31 2014, the amounts due from/to related parties were as follows:

(In thousand)	December 31, 2013	March 31, 2014
Amounts due to a related party		
Accounts payable to Zhuhai Qianyou	225	239

(In thousand)	December 31, 2013	March 31, 2014
Amounts due from related parties		
Accounts receivable from Beijing Xiaomi Technology Co., Ltd	—	585
Other receivable from Hao Cheng	85	—

20. Taxation

(i) Cayman Islands

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

(ii) PRC Enterprise Income Tax ("EIT")

Giganology Shenzhen, the VIE and its subsidiaries which were established in the Shenzhen Special Economic Zone, the PRC were all subject to EIT at a rate of 15% before 2008. On March 16, 2007, the PRC National People's Congress promulgated the New Enterprise Income Tax Law (the "New EIT Law"), which became effective on January 1, 2008, adopting a unified EIT rate of 25%. In addition, the New EIT Law also provides a five-year transitional period starting from its effective date for those enterprises that were established before the date of promulgation of the New EIT Law and that were entitled to preferential income tax rates under the then effective tax laws or regulations. On December 26, 2007, the State Council issued the "Circular to Implementation of the Transitional Preferential Policies for the Enterprise Income Tax". Pursuant to this Circular, the transitional income tax rates for enterprises established in the Shenzhen Special Economic Zone before March 16, 2007 were 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively. Thus, the applicable EIT rate for Giganology Shenzhen, the VIE and its subsidiaries, which established in the Shenzhen Special Economic Zone before March 16, 2007, was 25% for three months ended March 31, 2013 and 2014.

On April 14, 2008, relevant governmental regulatory authorities released further qualification criteria, application procedures and assessment processes for meeting the High and New Technology Enterprise ("HNTE") status under the New EIT Law which would entitle qualified and approved entities to a favorable statutory tax rate of 15%.

In April 2009, the State Administration for Taxation ("SAT") issued Circular Guoshuihan [2009] No. 203 ("Circular 203") stipulating that entities which qualified for the HNTE status should apply with in-charge tax authorities to enjoy the reduced EIT rate of 15% provided under the New EIT Law starting from the year when the new HNTE certificate becomes effective. In addition, an entity which qualified for the HNTE status can continue to enjoy its remaining tax holiday from January 1, 2008 provided that it has obtained the HNTE certificate according to the new recognition criteria set by the New EIT Law and the relevant regulations.

In February 2011, Shenzhen Xunlei obtained the HNTE certificate with effect from January 1, 2011.

According to a policy promulgated by the State tax bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150%

of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Xunlei has been claiming such Super Deduction in ascertaining its tax assessable profits from 2009 onwards. In addition, as approved by the relevant tax authority in July 2010, Xunlei was recognized as an enterprise engaged in software development activities, accordingly, it is entitled to a tax holiday of 2-year exemption and 3-year 50% reduction from 2010 onwards. As a result, the applicable tax rate to Shenzhen Xunlei for the three months ended March 31, 2013 was 12.5%.

In December 2013, Shenzhen Xunlei obtained the certificate of Key Software Enterprise for the years ended December 31, 2013 and 2014, which enables Shenzhen Xunlei to enjoy the preferential tax rate of 10% for the year 2013. As a result, the applicable tax rate to Shenzhen Xunlei for the years ended December 31, 2011, 2012 and 2013 were 0%, 12.5% and 10%, respectively, and the applicable tax rate to Shenzhen Xunlei for the three months ended March 31, 2014 was 10%.

The subsidiaries and VIE's subsidiaries, which were established after January 1, 2008, were subject to EIT at a rate of 25%.

Xunlei Computer was established in 2011 in the Shenzhen Special Economic Zone of the PRC. As approved by the relevant tax authority in June 2013, Xunlei Computer was further exempt from EIT for two years commencing from its first year of profitable operation after offsetting prior years' tax losses, followed by a 50% reduction for the next three years ("2-year Exemption and 3-year 50% Reduction"). The first year of profit operation of Xunlei Computer is 2013.

Dividends paid by the PRC subsidiaries of the Group out of the profits earned after December 31, 2007 to non-PRC tax resident investors are subject to PRC withholding tax. The withholding tax ("WHT") on dividends is 10%, unless a foreign investor's tax jurisdiction has a tax treaty with the PRC that provides for a lower withholding tax rate and the foreign investor is recognized as the beneficial owner of the income under the relevant tax rules.). The 10% WHT is applicable to any dividends to be distributed from Giganology Shenzhen and Xunlei Computer to the Company out of any profits of these two companies derived after January 1, 2008. Up to March 31, 2014, both Giganology Shenzhen and Xunlei Computer did not declare any dividend to the parent company and have determined that they have no present plan to declare and pay any dividends. The Group currently plans to continue to reinvest its subsidiaries' undistributed earnings, if any, in its operations in China indefinitely. Accordingly, no withholding income tax was accrued and required to be accrued as of March 31, 2014. The undistributed earnings from the Group's PRC entities as of March 31, 2014 amounted to USD 33,572 thousand. An estimated foreign withholding taxes of USD 3,357 thousand would be due if these earnings were remitted as dividends as of March 31, 2014.

Moreover, the current EIT Law treats enterprises established outside of China with "effective management and control" located in the PRC as PRC resident enterprises for tax purposes. The term "effective management and control" is generally defined as exercising overall management and control over the business, personnel, accounting, properties, etc. of an enterprise. The Company, if considered a PRC resident enterprise for tax purposes, would be subject to the PRC Enterprise Income Tax at the rate of 25% on its worldwide income for the period after January 1, 2008. As of March 31, 2014, the Company has not accrued for PRC tax on such basis. The Company will continue to monitor its tax status.

The current income tax expenses were USD90 thousand and USD383 thousand for the three months ended March 31, 2013 and 2014 respectively. The deferred income tax expense amounting to USD772 thousand was mainly resulted from outside basis difference provision for the three months ended March 31, 2013. The deferred income tax benefit amounting to USD321 thousand was mainly resulted from net operating loss of Shenzhen Xunlei's subsidiaries carried forward for the three months ended March 31, 2014.

21. Fair value measurements

Effective January 1, 2008, the Group adopted ASC 820-10, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value and expands financial statement disclosures about fair value measurements. Although the adoption did not impact the Group's consolidated financial statements, ASC 820-10 requires additional disclosures on fair value measurements.

ASC 820-10 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2—Include other inputs that are directly or indirectly observable in the marketplace or based on quoted price in markets that are not active

Level 3—Unobservable inputs which are supported by little or no market activity and are significant to the overall fair value measurement

ASC 820-10 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

The following table sets forth the financial instruments, measured at fair value, by level within the fair value hierarchy as of December 31, 2013 and March 31, 2014:

	Fair value measurements as at December 31, 2013			
	Total USD	Quoted prices in active market for identical assets (Level 1) USD	Significant other observable inputs (Level 2) USD	Significant unobservable inputs (Level 3) USD
Cash equivalent: time deposits	30,892	—	30,892	—
Short term investments:				
Time deposits	9,695	—	9,695	—
Investments in financial instruments	31,298	—	31,298	—
Warrant and subscription right liabilities	(2,186)	—	(2,186)	—
	69,699	—	69,699	—

	Fair value measurements as at March 31, 2014			
	Total USD	Quoted prices in active market for identical assets (Level 1) USD	Significant other observable inputs (Level 2) USD	Significant unobservable inputs (Level 3) USD
Cash equivalent: time deposits	24,724	—	24,724	—
Short term investments:				
Time deposits	13,666	—	13,666	—
Investments in financial instruments	18,673	—	18,673	—
Warrant and subscription right liabilities	(37,089)	—	(37,089)	—
	19,974	—	**19,974**	—

22. Other income net

(In thousand)	three months ended March 31, 2013	2014
Subsidy income	306	555
Fair value changes of warrants and subscription rights liabilities (note 13)	253	187
Exchange losses	(141)	(155)
Investment income from short-term investments	165	913
Loss from exchange of warrants to Series D investor*	—	(405)
Others	5	28
	588	**1,123**

* Refer to note 13 for additional information on this amount.

23. Commitments and contingencies

Rental commitments

The Group leases facilities in the PRC under non-cancellable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases, including any free rental periods.

Total office rental expenses under all operating leases were USD 663 thousand and USD 729 thousand for the three months ended March 31, 2013 and 2014, respectively.

Future minimum payments under non-cancellable operating leases of office rental consist of the following as of March 31, 2014:

(In thousand)	
Within 1 year	2,801
Between 1 to 2 years	1,320
Between 2 to 3 years	693
	4,814

Bandwidth lease commitments

The Group leases bandwidth in the PRC under non-cancellable operating leases expiring on different dates. Payments under bandwidth leases are expensed on a straight-line basis over the duration of the respective lease periods, including any lease free periods.

Total bandwidth leasing costs under all operating leases were USD 7,714 thousand and USD 10,334 thousand for the three months ended March 31, 2013 and 2014, respectively.

Future minimum payments under non-cancellable bandwidth leases consist of the following as of March 31, 2014:

(In thousand)	
Within 1 year	21,818
Between 1 to 2 years	2,520
Between 2 to 3 years	395
	24,733

Capital commitments

As at March 31, 2014, the Group had irrevocable purchase obligations for certain copyrights and online game licenses that had not been recognized in the amount of USD 8,398 thousand and USD 6,622 thousand, respectively.

Litigation

The Group is involved in a number of cases pending in various courts. These cases are substantially related to alleged copyright infringement as well as routine and incidental matters to its business, among others. Adverse results in these lawsuits may include awards of damages and may also result in, or even compel, a change in the Group's business practices, which could impact the Group's future financial results. The Group had incurred USD 113 thousand and USD 739 thousand legal and litigation related expenses for the three months ended March 31, 2013 and 2014, respectively.

Up to May 23, 2014, which is the date when the unaudited interim condensed consolidated financial statements were issued, the Group had 14 lawsuits pending against the Group with an aggregate amount of claimed damages of approximately RMB 1.48 million (USD0.24 million) which occurred before March 31, 2014. Of the 14 pending lawsuits, 11 lawsuits were relating to the alleged copyright infringement in the PRC and the remaining 3 were relating to Shenzhen Xunlei, Xunlei Kankan and online game business which is not related to copyright infringement. The Group had accrued for USD 964 thousand litigation related expenses in "Accrued expenses and other liabilities" in the consolidated balance sheet as of March 31, 2014.

Out of the 11 lawsuits for the alleged copyright infringement, 3 lawsuits involved Gougou, a digital media content search engine previously owned by the Group. Although the Group is the named defendant in these cases, the Group sold the Gougou website and related intellectual property rights in 2010 to an unaffiliated third party, who has agreed to assume all present and future Gougou-related intellectual property liabilities, including liabilities incurred in connection with these lawsuits. The indemnity provided by this unaffiliated third party has not been factored into the Group's accrual of the litigation related expenses. The remaining 8 lawsuits were relating to online video services the Group provided on Xunlei Ark, Xunlei Kankan and the Xunlei accelerator.

The Group estimated the litigation compensation based on judgments handed down by the court, out-of-court settlements of similar cases as well as advices from the Group's legal counsel. The Group is in the process of appealing certain judgments for which the losses had been accrued. Although the results of unsettled litigation and claims cannot be predicted with

certainty, the Group does not expect that the outcome of the 14 lawsuits will result in the amounts accrued materially different from the range of reasonably possible losses.

Subsequent to March 31, 2014, there were additional claims mainly related to alleged copyright infringement and employment contract dispute made in the ordinary course of business against the Group. The Group has assessed that none of these claims that occurred between March 31, 2014 to May 23, 2014 will result in the amount accrued materially different from the range of reasonably possible losses in the consolidated financial statements of the Group.

24. Subsequent events

The Group evaluated subsequent events, through June 12, 2014.

Repurchase transactions

On April 15, 2014, the Company repurchased from Skyline 469,225 common shares, 27,180 Series A preferred shares, 591,451 Series A-1 preferred shares, 725,237 Series B preferred shares and 3,808,943 Series D convertible redeemable preferred shares at a consideration of approximately USD24,276 thousand.

On April 24, 2014, the Company repurchased from a number of existing shareholders the following common and preferred shares for a total consideration of USD49,808 thousand. The Company repurchased the following common and preferred shares at a per share price of USD2.82, equal to the issuance price of the Series E preferred shares:

- 10,334,679 common shares from Vantage Point Global Limited (Founder's company) for USD29,121 thousand;
- 3,860,733 common shares from Aiden & Jasmine Limited (Co founder's company) for USD10,879 thousand;
- 450,000 Series A preferred shares from Bright Access International Limited for USD1,268 thousand;
- 2,921,868 Series B preferred shares from Fidelity Asia Ventures Fund L.P. for USD8,233 thousand;
- 108,960 Series B preferred shares from Fidelity Asia Principals Fund L.P. for USD307 thousand;

For accounting purposes, the Company determined the per share fair value of the common shares, Series A preferred shares, and Series B preferred shares to be USD3.13, USD3.13, and USD3.19, respectively, on April 24, 2014, the date of repurchase. The repurchase price of USD2.82 was mutually negotiated at the time of the repurchase transactions. There were no other arrangements with the selling shareholders other than the exchange of Xiaomi options for transfer restrictions as described above. The selling shareholders were willing to sell its common and preferred shares at the USD2.82 per share price as it would provide them with as a form of liquidity. For the common shares repurchased, the Company charged the excess of the purchased price over the par value to additional paid in capital. For the preferred shares repurchased, the Company charged the excess of the purchase price over the carrying value to retain earnings or to additional paid in capital if retain earnings is zero.

On the same day, April 24, 2014, the Company transferred a total of 14,195,412 repurchased common shares to Leading Advice for future issuance of restricted shares under the Company's 2014 Plan and cancelled the remaining repurchased shares. While the common shares have been transferred to Leading Advice, the common shares issued to Leading Advice do not have the attributes of unrestricted, issued and outstanding shares. Therefore, these shares issued to Leading Advice are accounted as treasury shares. Please refer to note 17 for additional information.

Tranche 2 Series E preferred shares financing

On April 24, 2014, the Company issued Series E convertible redeemable preferred shares (the "Series E Tranche 2 Preferred Shares") to three investors (the "Series E Tranche 2 Investors") to subscribe 39,037,382 Series E Tranche 2 Preferred Shares for a total consideration of USD110 million. Two of the three investors exercised the Subscription Rights assigned to them by the Series E Investor to purchase USD100 million while the third investor purchased the remaining USD10 million. Upon the exercise of the Subscription Rights, the fair value of the warrant liability of USD 29,223 thousand was derecognized. The issuance to the third investor contains a beneficial conversion feature of USD1,109 thousand and the amount is initially recognized in APIC and will be amortized to retained earnings or in the absence of retained earnings, by charge against additional paid-in capital as a deemed dividend. No beneficial conversion feature is recorded for the issuance to the two investors because the adjusted conversion price of USD3.66 is higher than the Company's common share fair value of USD3.13 at the time of the issuance. Issuance cost of USD57 thousand was recognized as a reduction of the Series E preferred shares carrying value. The net carrying amount of the Series E Tranche 2 Preferred Shares will be reported at USD138,053 thousand after taking into consideration the aggregate impact of the aforementioned items. The Series E preferred shares will also be classified within the mezzanine equity section since the preferred shares are only contingently redeemable by the holder four years after issuance date.

The issuance of the Tranche 2 Series E Preferred Shares triggered the anti-dilution rights of a Series C preferred shareholder and a Series D preferred shareholder. As a result, the Company adjusted the conversion price of the Series C preferred shares of this holder from USD3.64 to approximately USD3.63, and the conversion price of Series D preferred shares of this holder from USD2.8613 to approximately USD2.8599.

The downward conversion price adjustment was carried out in accordance with the anti-dilution clause in the original Series C and D financing agreement. As a result of this adjustment the Series C preferred shares contain a beneficial conversion feature of USD1 thousand and the amount will be charged to retained earnings as a deemed dividend. There is no beneficial conversion feature for the Series D preferred shares after the conversion price adjustment.

2014 share incentive plan

In April 2014, the Group adopted a share incentive plan, which is referred to as the 2014 Share Incentive Plan ("the 2014 Plan"). The purpose of the plan is to motivate, attract and retain the best available personnel by linking the personal interests of senior management to the success of the Group's business. Under the 2014 Plan, the maximum number of restricted shares that may be granted is 14,195,412 shares to certain officers, directors or employees of, or advisors or

consultants to the Company and its subsidiaries and consolidated affiliated entities. As of May 23, 2014, no restricted shares were granted under the 2014 plan.

Partial disposal of an equity method investment

In May of 2014, Guangzhou Yuechuan, an equity method investee held by the Group, issued new shares to a number of third parties for a total consideration of RMB 18 million. As a result of the transaction, the Group's ownership interest in Guangzhou Yuechuan decreased from 23.4% to 19.1%. The Group concluded it to be an effective deposal of part of the equity investment. The Company records a gain of USD1.9 million arising from the sale of shares by the investee to third parties at a price in excess of the per share carrying value of the shares owned by the Company in the second quarter of 2014. The Group will continue to classify Guangzhou Yuechuan as an equity method investment because it retained significant influence through its one out of five seats on the board of directors.

Restricted share grant

On June 9, 2014, 689,700 restricted shares had been granted to certain executive officers or employees of the Group. The Group expects to record the related share based compensation expense of approximately USD 2.3 million over the vesting period.

25. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares

The Series A, A-1, B, C, D and E preferred shares shall automatically be converted into common shares based on the then effective conversion ratio immediately prior to the closing of a firm commitment underwritten Qualified IPO, as defined in the relevant investment agreement. The conversion ratio of Series A, A-1 and B Preferred Shares was 1 for 1, but the conversion ratio of the Series C preferred shares for one of the investor is 1 for 1.2654, due to the trigger of an anti-dilution clause in the original Series C investment agreement when the Series D preferred shares were issued as well as the modification of a conversion clause, as described in note 15. The conversion ratio of the Series C preferred shares for the other investor is 1 for 1.4382, due to the trigger of an anti-dilution clause in the original Series C investment agreement when the Series D and E preferred shares were issued, as described in note 15. The conversion ratio of the Series D preferred shares was 1 for 1.1528, due to the trigger of an anti-dilution clause in the original Series D investment agreement when the Series E preferred shares were issued, as described in note 13.

The unaudited pro forma financial information presented in the unaudited consolidated financial statements does not reflect the financial impact of the Series E tranche 2 preferred shares issuance, the repurchase transactions which occurred in April 2014, and the triggering of the anti-dilution clause for series C, D, and E preferred shares of a future offering which is price below the respective anti-dilution triggering price.

The unaudited pro-forma income per share for the three months ended March 31, 2014 after giving effect to the conversion of the Series A, A-1, B, C and D preferred shares into common shares as if the conversion occurred at January 1, 2013, respectively, was as follows:

	three months ended March 31, 2014
Numerator:	
Net loss attributable to common shareholders	(4,550)
Contingent beneficial conversion feature of series C to a Series C shareholder	57
Amortization of beneficial conversion feature of Series E	933
Accretion of Series D to convertible redeemable preferred shares redemption value	1,153
Accretion of Series E to convertible redeemable preferred shares redemption value	2,525
Pro-forma net income attributable to common shareholders—diluted	118
Denominator:	
Denominator for basic and diluted calculation—weighted average number of common shares outstanding	61,447,372
Pro-forma effect of preferred shares	183,565,182
Denominator for pro-forma basic calculation	245,012,554
Dilutive common share options	12,381,596
Pro-forma effect of warrants	56,638,443
Denominator for pro-forma diluted calculation	314,032,593
Pro-forma basic net income per share attributable to common shareholders	0.00
Pro-forma diluted net income per share attributable to common shareholders	0.00

Unaudited pro forma condensed consolidated financial information

The following unaudited pro forma condensed consolidated balance sheet and income statement of Xunlei Limited ("Xunlei" or the "Company") are presented to illustrate the effect of Xunlei's issuance of Series E preferred shares (the "Issuance") and the repurchase certain of its common and preferred shares (the "Repurchase") in March and April of 2014. In addition, the Company will also present unaudited pro forma condensed consolidated balance sheet and pro forma earnings per share information to illustrate the automatic conversion (the "Conversion") of the Series A, A-1, B, C, D, and E preferred shares into common shares upon an initial public offering. The unaudited pro forma condensed consolidated balance sheet as of March 31, 2014 and the unaudited pro forma condensed consolidated income statement for the year ended December 31, 2013 and three months ended March 31, 2014 presented herein are based on the historical financial statements of Xunlei as well as the assumptions and adjustments described in the accompanying notes to these unaudited pro forma condensed financial information.

The following unaudited pro forma condensed consolidated balance sheet as of March 31, 2014 and unaudited pro forma condensed consolidated income statement for the year ended December 31, 2013 and three months ended March 31, 2014 are presented for illustrative purposes only, in accordance with Article 11 of Regulation S-X, and should be read in conjunction with the Company's historical audited financial statements, unaudited interim condensed consolidated financial statements and accompanying notes, which are included in this prospectus.

Xunlei Limited
Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of March 31, 2014

(Amounts expressed in thousands of United States dollars ("USD"))	Xunlei Limited	Pro Forma Adjustment Tranche 2	Notes	Pro Forma Adjustment Repurchase (Note 3(k))	Article 11 Pro Forma Total	Article 11 Pro Forma as adjusted (Note 3(m))
Assets						
Current assets:						
Cash and cash equivalents	302,361	110,000	3(g)	(74,084)	338,277	338,277
Short-term investments	32,339	—		—	32,339	32,339
Accounts receivable, net	29,083	—		—	29,083	29,083
Deferred tax assets	1,418	—		—	1,418	1,418
Due from related party	585	—		—	585	585
Prepayments and other current assets	6,601	—		—	6,601	6,601
Copyrights related to content, current portion	13,022	—		—	13,022	13,022
Total current assets	**385,409**	**110,000**		**(74,084)**	**421,325**	**421,325**
Non-current assets:						
Long-term investments	2,867	—		—	2,867	2,867
Deferred tax assets	10,328	—		—	10,328	10,328
Property and equipment, net	21,410	—		—	21,410	21,410
Intangible assets, net	11,077	—		—	11,077	11,077
Prepayment for content copyrights	2,806	—		—	2,806	2,806
Other long-term prepayments and receivables	5,888	—		—	5,888	5,888
Total assets	**439,785**	**110,000**		**(74,084)**	**475,701**	**475,701**
Liabilities						
Current liabilities:						
Accounts payable	36,922	—		—	36,922	36,922
Due to a related party	239	—		—	239	239
Deferred revenue, current portion	29,583	—		—	29,583	29,583
Income tax payable	2,939	—		—	2,939	2,939
Accrued liabilities and other payables	31,278	57	3(g)	—	31,335	31,335
Total current liabilities	**100,961**	**57**		**—**	**101,018**	**101,018**
Non-current liabilities:						
Deferred revenue, non-current portion	2,056	—		—	2,056	2,056
Deferred government grant	6,164	—		—	6,164	6,164
Deferred tax liability, non-current	8,985	—		—	8,985	8,985
Series E warrants to Series D holder	2,778	—		—	2,778	2,778
Series E warrants to Series E holder	6,459				6,459	6,459
Series E subscription rights to Series E Holder	27,852	(27,852)	3(g)	—	—	—
Total liabilities	**155,255**	**(27,795)**		**—**	**127,460**	**127,460**

(Amounts expressed in thousands of United States dollars ("USD"))	Xunlei Limited	Pro Forma Adjustment Tranche 2	Notes	Pro Forma Adjustment Repurchase (Note 3(k))	Article 11 Pro Forma Total	Article 11 Pro Forma as adjusted (Note 3(m))
Mezzanine equity						
Series D convertible redeemable preferred shares	41,722	—		(14,932)	26,790	—
Series E convertible redeemable preferred shares	115,721	136,683	3(g)	—	252,404	—
Equity						
Series C convertible non-redeemable preferred shares	1	—		—	1	—
Series B convertible non-redeemable preferred shares	8	—		(1)	7	—
Series A-1 convertible non-redeemable preferred shares	9	—		—	9	—
Series A convertible non-redeemable preferred shares	7	—		—	7	—
Common shares	15	—		(4)	11	65
Additional paid-in-capital	115,130	1,113	3(g),(h)	(56,661)	59,582	338,746
Accumulated other comprehensive income	5,085	—		—	5,085	5,085
Statutory reserves	4,478	—		—	4,478	4,478
Treasury shares	2	—		—	2	2
Retained earnings	2,487	(1)	3(h)	(2,486)	—	—
Total Xunlei Limited's shareholders' equity	**127,222**	**1,112**		**(59,152)**	**69,182**	**348,376**
Non-controlling interest	(135)	—		—	(135)	(135)
Total liabilities, mezzanine equity and shareholders' equity	**439,785**	**110,000**		**(74,084)**	**475,701**	**475,701**

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial information.

Xunlei Limited
Unaudited pro forma condensed consolidated income statement
for the year ended December 31, 2013

(Amounts expressed in thousands of USD, except for number of shares and per share data)	Xunlei Limited	Pro Forma Adjustment Tranche 1	Notes	Pro Forma Adjustment Tranche 2	Notes	Article 11 Pro Forma Total
Net revenues	174,594	—		—		174,594
Cost of revenues	(93,260)	—		—		(93,260)
Gross profit	**81,334**	**—**		**—**		**81,334**
Total operating expenses	**(78,515)**	**—**		**—**		**(78,515)**
Net gain from exchanges of content copyrights	1,020	—		—		1,020
Operating income	**3,839**	**—**		**—**		**3,839**
Interest income	1,189	—		—		1,189
Other income, net	4,679	—		—		4,679
Share of income from an equity investee	25	—		—		25
Income before income tax	**9,732**	**—**		—		**9,732**
Income tax expense	647					647
Net income	**10,379**	**—**		—		**10,379**
Less: net loss attributable to the non-controlling interest	(283)	—		—		(283)
Net income attributable to Xunlei Limited	**10,662**	**—**		—		**10,662**
Allocation of net income to participating preferred shareholders	(4,094)	4,094	3(c)	—		—
Accretion to Series D convertible redeemable preferred shares redemption value	(4,300)	—		—		(4,300)
Accretion to Series E convertible redeemable preferred shares redemption value	—	(34,133)	3(a)	(11,403)	3(i)	(45,536)
Amortisation of beneficial conversion feature of Series E preferred shares	—	(13,094)	3(b)	(289)	3(j)	(13,383)
Net income / (loss) attributable to Xunlei Limited's common shareholders	**2,268**	**(43,133)**		**(11,692)**		**(52,557)**
Basic net income / (loss) per share attributable to Xunlei Limited's common shareholders (Note 3(l))	0.04					(1.47)
Weighted average number of common shares outstanding—basic (Note 3(l))	61,447,372					46,782,735
Diluted net income / (loss) per share attributable to Xunlei Limited's common shareholders (Note 3(l))	0.01					(1.47)
Weighted average number of common shares outstanding—diluted (Note 3(l))	76,065,898					46,782,735

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial information.

Xunlei Limited
Unaudited pro forma condensed consolidated income statement
for the three months ended March 31, 2014

(Amounts expressed in thousands of USD, except for number of shares and per share data)	Xunlei Limited	Pro Forma Adjustment Tranche 1	Notes	Pro Forma Adjustment Tranche 2	Notes	Article 11 Pro Forma Total
Net revenues	39,998	—		—		39,998
Cost of revenues	(23,864)	—		—		(23,864)
Gross profit	**16,134**	**—**		**—**		**16,134**
Total operating expenses	**(18,174)**	**—**		**—**		**(18,174)**
Net gain from exchanges of content copyrights	826	—		—		826
Operating income	**(1,214)**	**—**		**—**		**(1,214)**
Interest income	387	—		—		387
Other income, net	1,123	405	3(d)	—		1,528
Share of income from an equity investee	(56)	—		—		(56)
Income before income tax	**240**	**405**		—		**645**
Income tax expense	(62)					(62)
Net income	**178**	**405**		—		**583**
Less: net loss attributable to the non-controlling interest	(219)	—		—		(219)
Net income attributable to Xunlei Limited	**397**	**405**		—		**802**
Contingent beneficial conversion feature of series C to a Series C shareholder	(57)	57	3(e)	—		—
Deemed dividend to Series D shareholder from its modification	(279)	279	3(f)	—		—
Accretion to Series D convertible redeemable preferred shares redemption value	(1,153)	—		—		(1,153)
Accretion to Series E convertible redeemable preferred shares redemption value	(2,525)	(7,777)	3(a)	(3,084)	3(i)	(13,386)
Amortisation of beneficial conversion feature of Series E preferred shares	(933)	(2,341)	3(b)	(72)	3(j)	(3,346)
Net income/(loss) attributable to Xunlei Limited's common shareholders	**(4,550)**	**(9,377)**		**(3,156)**		**(17,083)**
Basic net loss per share attributable to Xunlei Limited's common shareholders (Note 3(l))	(0.07)					(0.36)
Weighted average number of common shares outstanding—basic (Note 3(l))	61,447,372					46,782,735
Diluted net loss per share attributable to Xunlei Limited's common shareholders (Note 3(l))	(0.07)					(0.36)
Weighted average number of common shares outstanding—diluted (Note 3(l))	61,447,372					46,782,735

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial information.

Xunlei Limited
Notes to the unaudited pro forma condensed consolidated financial information

1. Basis of presentation

The financial statements of Xunlei as of March 31, 2014, for the year ended December 31, 2013 and for the three months ended March 31, 2014, have been derived from the Company's audited financial statements and unaudited interim financial statements included in this prospectus and do not reflect events subsequent to December 31, 2013 and March 31, 2014.

The unaudited pro forma financial information has been prepared on the following basis:

- The pro forma financial information has been prepared in accordance with Article 11 of Regulation S-X.
- The pro forma financial information reflects adjustments to give effect to pro forma events that are (1) directly attributable to those events, (2) are factually supportable, and (3) for pro forma income statement purposes, have a continuing impact.
- The pro forma adjustments relating to the Series E Tranche 2 preferred shares issuance are based on management's estimates and a preliminary valuation of the common and preferred shares, assisted by an independent third-party appraiser. Upon completion of the detailed valuation and the final determination of fair value, additional adjustments, which may differ significantly from the valuation set forth in the unaudited pro forma financial information, maybe necessary.
- In the preparation of the pro forma financial information, the same recognition and measurement principles were applied as in the preparation of the audited financial statements for the year ended December 31, 2013 and unaudited interim financial statements for the three months ended March 31, 2014.
- The pro forma condensed consolidated balance sheet of Xunlei as at March 31, 2014 is presented to show the effect of the Series E Tranche 2 preferred shares issuance, the Repurchase and the Conversion as if the Series E Tranche 2 preferred shares issuance, the Repurchase, and the Conversion had occurred on March 31, 2014. The Series E Tranche 1 preferred shares issuance has already been reflected in the historical consolidated balance sheet of Xunlei.
- The pro forma condensed consolidated income statement of Xunlei for the year ended December 31, 2013 is presented to show the effect of the Issuance and the Repurchase as if the Issuance and the Repurchase had occurred on January 1, 2013.
- The pro forma condensed consolidated income statement of Xunlei for the three months ended March 31, 2014 is presented to show the effect of the Issuance and the Repurchase as if the Issuance and the Repurchase had occurred on January 1, 2013.

2. Description of transaction

Description of transaction

Series E Tranche 1 convertible redeemable preferred shares

On March 5, 2014 (the "Closing Date"), the Company entered into an agreement to issue Series E Tranche 1 preferred shares and warrants to Xiaomi Ventures Limited ("Xiaomi") for a total consideration of USD200 million. Pursuant to the agreement, the Company issued 70,975,491 Series E preferred shares at USD2.82 per share and warrants to purchase 17,743,873 Series E preferred shares at USD2.82. In addition, within three months after the Closing Date, Xiaomi shall have the right (the "Subscription Right") to purchase, or designate any other person/party to purchase from the Company USD100 million of Series E preferred shares at a per share price of USD2.82. The fair value per share of the Series E preferred shares were determined to be USD 3.56 on March 5, 2014. The issuance price of the Series E convertible redeemable preferred shares were mutually negotiated at USD2.82. The price was agreed with consideration to 1) Xiaomi brand, which is considered to be a well-recognized smartphone vendor in the China market, and 2) potential synergy that could be created between the two parties strategic cooperation in the multi device environment. The rights and preferences of the Series E preferred shares are as follows:

Dividend right

The holders of the Series E preferred shares are entitled to participate in any dividend pari passu with common shareholders of the Company on an as-converted basis;

Liquidation preference

Before any distribution or payment shall be made to the holders of Series A, Series A-1, Series B, Series C and D preferred shares, an amount shall be paid to Series E holders with respect to each Series E preferred share held by the Series E holder equal to 100% of the applicable original issue price;

Voting right

The holders of the Series E preferred shares shall be entitled to such number of votes equal to the whole number of common shares into which such Series E preferred shares are convertible;

Conversion right

Each of the Series E preferred shares is convertible at the option of the holder, at any time after the issuance of such shares, and each share can be converted into one common share of the Company. In addition, each of the Series E preferred shares would automatically be converted into common shares of the Company (i) upon the closing of a Qualified IPO or (ii) upon written notice to convert given to the Company by the holders of a majority of Series E preferred shareholders The conversion is subject to adjustments for certain events, including but not limited to reorganization, mergers, share dividends, distribution, subdivisions, or consolidation, reclassification, exchange, substitutions or any capital reorganization of common shares. The conversion price is also subject to adjustment in the event the Company issues additional common shares at a price per share that is less than such conversion price. In such case, the conversion price shall be reduced to adjust for dilution on a weighted average basis.

Redemption right

The Series E preferred shares are redeemable at the option of the holder any time after March 1, 2018 but not later than March 1, 2019. The redemption price shall be equal to the aggregate amount of price paid per share (i.e. USD2.82), plus interest on the original issue price at a rate of 15% per annum compounded annually from the issuance date up to and including the date of redemption, plus all declared but unpaid dividends and distributions on any such shares. Due to this non-mandatory redemption feature, the Company classified the Series E preferred shares as mezzanine equity in the consolidated balance sheets;

Warrants

The Series E warrants are exercisable at the option of the holder, at any time, on or after January 1, 2015 and no later than March 1, 2015. The warrants are not exercisable if the Company has completed the initial public offering in the United States by December 31, 2014. As the warrants are exercised into mezzanine equity, the warrants were classified as a liability and initially measure at their fair value at USD6,477 thousand; the fair value of Series E warrants was USD6,459 thousand on March 31, 2014.

Subscription Right

The Subscription Rights are exercisable at the option of the Series E preferred shareholder within three months after the Closing Date. The right can be designated to any other person/party to purchase Series E preferred shares from the Company. As the rights are exercised into mezzanine equity, the rights were classified as a liability and initially measure at their fair value at USD28,208 thousand. The purpose of the Subscription Right was to allow other investors to purchase Series E preferred shares at the same price. Those other investors were King Venture Holdings Limited ("Kingsoft"), Morningside China TMT Special Opportunity Fund LP and Morningside China TMT Fund III Co-Investment LP (collectively "Morningside").

Exchange of Xiaomi options for transfer restrictions

As part of the issuance of the Series E preferred shares, Xiaomi and the founders, who are also employees, and two employees (collectively the "Grantees") of the Company agreed that (i) Xiaomi will grant to the Grantees the right to purchase certain number of restricted shares of Xiaomi Corporation, the parent company of Xiaomi Ventures with a total subscription consideration of not more than USD20 million at a subscription price subscription price per share that reflects the valuation of Xiaomi being USD10 billion (the "Xiaomi Options"); and (ii) the Grantees agreed to impose a transfer restriction (the "Transfer Restrictions") on 90% of the common shares, restricted shares and share options (the "Shares") owned by the Grantees. The Transfer Restrictions prohibit the Grantees from transferring their shares to another person/party until April 24, 2019 for one of the founders or April 24, 2018 for the other Grantees. The Xiaomi Options and the Transfer Restrictions are not tied to the Grantees' future employment with the Company. The value of the Transfer Restrictions was determined to be significantly greater than the value of Xiaomi Options and there was no incremental benefit given to the Grantees. Accordingly, no compensation expense was recognized.

In determining the value of the Transfer Restrictions, the Company was assisted by an independent valuation firm and in part, relied on a valuation report prepared by them, based on data provided by the Company. The valuation of the Transfer Restrictions is estimated to be

USD43.3 million and is calculated based on the difference in value of the common shares with the Transfer Restrictions and the value of the common shares without the restriction.

For the valuation of the Xiaomi Options, the Company was only able to obtain limited financial information from Xiaomi, a private company, to perform a valuation analysis. This information includes high level 2013 revenue data and information of a third party investment transaction that valued Xiaomi at USD10 billion in August of 2013. Given the lack of financial information, the Company is unable to determine a more precise estimate of the fair value of the Xiaomi Option on the exchange date. If the fair value of the Xiaomi options were worth USD43.3 million, Xiaomi Corporation itself would need to be estimated at a valuation in excess of USD30 billion on March 5, 2014. The Company does not expect the valuation of Xiaomi Corporation to increase by 200% from USD10 billion in August 2013 to USD30 billion in March 2014.

Series E Tranche 2 convertible redeemable preferred shares

On April 24, 2014 (the "Tranche 2 Closing Date"), Kingsoft and Morningside exercised the Subscription Right designated to them by Xiaomi to purchase 35,488,529 Series E Tranche 2 preferred shares at USD2.82 for a total consideration of USD100 million. On the same date, the Company also entered into an agreement to issue 3,548,853 Series E Tranche 2 preferred shares to IDG Technology Venture Investment V LP ("IDG") for a total consideration of USD10 million at a per share price of USD2.82. In total, the Company issued 39,037,382 Series E preferred shares at USD2.82 per share for a total consideration of USD110,000,000. The right and preferences of the Series E Tranche 2 preferred shares are consistent with rights and preferences of the Series E Tranche 1 preferred shares.

Repurchase transactions

On April 15, 2014, the Company repurchased from Skyline Global Company Holding Limited ("Skyline") the following common and preferred shares for a total consideration of USD24,275,665:

- 469,225 common shares for USD1,570,625;
- 27,180 Series A preferred shares for USD90,979;
- 591,451 Series A-1 preferred shares for USD1,979,749;
- 725,237 Series B preferred shares for USD2,427,567;
- 3,808,943 Series D preferred shares for USD18,206,745.

On April 24, 2014, the Company repurchased from a number of existing shareholders the following common and preferred shares for a total consideration of USD49,808,317:

- 10,334,679 common shares from Vantage Point Global Limited (Shenglong Zou—Founder's company) for USD29,121,184;
- 3,860,733 common shares from Aiden & Jasmine Limited (Hao Cheng—Co founder's company) for USD10,878,816;
- 450,000 Series A preferred shares from Bright Access International Limited for USD1,268,015;

- 2,921,868 Series B preferred shares from Fidelity Asia Ventures Fund L.P. for USD8,233,274;
- 108,960 Series B preferred shares from Fidelity Asia Principals Fund L.P. for USD307,028.

On the same day, April 24, 2014, the Company transferred a total of 14,195,412 repurchased common shares to Leading Advice Holdings Limited ("Leading Advice") for future issuance of restricted shares under the Company's 2014 Plan and cancelled the remaining repurchased shares. While the common shares have been transferred to Leading Advice, the common shares issued to Leading Advice do not have the attributes of unrestricted, issued and outstanding shares. Therefore, these shares issued to Leading Advice are accounted as treasury shares. The Company concluded that the treasure shares held by Leading Advice and the cancellation of the remaining common shares has no financial impact on the unaudited pro forma condensed consolidated balance sheet as of March 31, 2014 and the unaudited pro forma condensed consolidated income statement for the year ended December 31, 2013 and three months ended March 31, 2014.

Subsequent to the repurchase transactions on April 24, 2014, the Company determined the per share fair value of the common shares, Series A preferred shares, and Series B preferred shares to be USD3.13, USD3.13, and USD3.19, respectively, on the date of repurchase. The repurchase price of USD2.82 was mutually negotiated at the time of the repurchase transactions. There were no other arrangements with the selling shareholders other than the exchange of Xiaomi options for transfer restrictions as described above. The selling shareholders were willing to sell its common and preferred shares at the USD2.82 per share price as it would provide them with as a form of liquidity.

3. Pro forma adjustments

Series E Tranche 1 convertible redeemable preferred shares

a) Accretion of the Series E preferred shares (pro forma Dec 31, 2013 and March 31, 2014 income statement adjustment)

The adjustment of USD34,133 thousand and USD7,777 thousand reflects the accretion of the Series E Tranche 1 preferred shares for the year ended December 31, 2013 and the three months ended March 31, 2014, respectively, which represents the accretion at a rate of 15% per annum of the original issuance price. The accretion is recorded against retained earnings, or in the absence of retained earnings, by charge against additional paid-in capital.

b) Amortization of beneficial conversion feature (pro forma Dec 31, 2013 and March 31, 2014 income statement adjustment)

The issuance contains a beneficial conversion feature (the "BCF") of USD52,377 thousand and the amount is initially recorded in APIC and will be amortized to retained earnings or in the absence of retained earnings, by charge against additional paid-in capital as a deemed dividend. The BCF is calculated based on the difference between an adjusted conversion price of USD2.31 and the Company's common share fair value of USD3.05 multiply by the number of shares into which the preferred shares are convertible into. The conversion price was adjusted from USD2.82 to USD2.31 principally because of the liability for the Subscription Right and the Warrants.

The adjustment of USD13,094 thousand and USD2,341 thousand reflects the amortization of the BCF of the Series E Tranche 1 preferred shares for the year ended December 31, 2013 and the three months ended March 31, 2014, as if the issuance of the preferred shares occurred on January 1, 2013. The BCF of USD52,377 thousand is amortized over a four-year redemption period.

c) Allocation of net income to participating preferred shareholders adjustment (pro forma Dec 31, 2013 income statement adjustment)

The adjustment of USD4,094 thousand represents the reversal of income allocated to the participating preferred shareholders as there are no net income available for allocation after adjusting for the Issuance and the Repurchase transaction.

d) Issuance of Series E warrants to Skyline (pro forma March 31, 2014 income statement)

Skyline's warrants to purchase 1,952,663 and 266,272 Series D preferred shares at USD3.38 per share expired on February 6, 2014 and March 1, 2014, respectively. On the date of the expiration, the warrant, which was classified as a liability, was in the money with fair value of USD2,414 thousand. It was agreed that upon issuance of the Series E Tranche 1 preferred shares on March 5, 2014, the Company would issue to Skyline warrants to purchase 3,406,824 Series E preferred shares with an exercise price of USD2.82. This warrant is exercisable at the option of the holder, at any time no later than the earlier of (1) the pricing date of the initial public offering of the Company or (2) March 1, 2015. As the warrants are exercised into mezzanine equity, the warrants will be classified as a liability and is initially measured at a fair value of USD2,819 thousand. The exchange of the Series D warrants and the issuance of the Series E warrants are considered to be a related transaction and accounted for as a single transaction. A loss of USD405 thousand on the date of exchange is charged to the income statement. The adjustment of USD405 thousand represents the reversal of losses in the historical condensed consolidated statement of income for the three months ended March 31, 2014 because it does not have a continuing impact. However, it will be considered in the pro forma earnings per share calculation. The pro forma condensed consolidated income statement does not reflect any mark to market effect of the new warrant liabilities to purchase Series E preferred shares as such adjustment is not factually supportable. The mark to market effect of the old warrant liabilities to purchase Series D preferred shares recognized in the 2013 and the three months ended March 31, 2014 income statement has not been adjusted.

e) Triggering of the Series C preferred shares' anti-dilution clause (pro forma March 31, 2014 income statement)

Upon issuance of the Series E Tranche 1 preferred shares, the Company adjusted the Series C conversion price from USD4.14 to USD3.64. The downward conversion price adjustment was carried out in accordance with the anti-dilution clause in the original Series C financing agreement. As a result of this adjustment, the Series C preferred shares contain a beneficial conversion feature of USD57 thousand and the amount is charged to retained earnings as a deemed dividend. The USD57 thousand charge is not included in the pro forma condensed consolidated statement of income as of December 31, 2013, because it does not have a continuing impact. The adjustment of USD57 thousand on the pro forma condensed consolidated statement of income as of March 31, 2014 represents the reversal of this deemed

dividend as it does not have a continuing impact. However, it will be considered in the pro forma earnings per share calculation.

f) Modification of Skyline's common and preferred shares

Upon issuance of the Series E Tranche 1 preferred shares, the Company modified the redemption rights of the Series D preferred shares (Series D preferred shares are only held by Skyline) and the liquidation rights of Skyline's common shares, Series A preferred shares, Series A-1 preferred shares, and Series B preferred shares. As a result of the redemption clause modification, the Series D preferred shareholders shall have the right to request the Company to purchase its shares after February 28, 2017 but no later than February 28, 2018. The modification is deemed to be a wealth transfer from the common shareholders to the preferred shareholders and will be charged to retain earnings in the amount of USD279 thousand. The amount is not included in the pro forma condense consolidated statement of income as of December 31, 2013, because it does not have a continuing impact. The adjustment of USD279 thousand on the pro forma condensed consolidated statement of income as of March 31, 2014 represents the reversal of this deemed dividend as it does not have a continuing impact. However, it will be considered in the pro forma earnings per share calculation. As a result of the liquidation clause modification, Skyline's common shares and preferred shares will have priority to receive proceeds from the Company upon liquidation over the common shares, Series A preferred shares, Series A-1 preferred shares, Series B preferred shares and Series C preferred shares held by the other investors. This liquidation right given to Skyline is not transferable to a third party. The incremental change in value of the modification is deemed to be immaterial.

Series E Tranche 2 preferred shares

g) Issuance of preferred shares (pro forma balance sheet adjustment)

The Company issued Series E preferred shares to Kingsoft, Morningside, and IDG for a total consideration of USD110 million. Kingsoft and Morningside exercised the Subscription Right assigned to them by Xiaomi to purchase USD100 million while IDG purchased the remaining USD10 million. Upon the exercise of the Subscription Right, the fair value of the warrant liability of USD27,852 thousand was derecognized. The issuance to IDG contains a BCF of USD1,108 thousand and the amount is initially recognized in APIC and will be amortized to retained earnings or in the absence of retained earnings, by charge against additional paid-in capital as a deemed dividend. No BCF is recorded for the issuance to Kingsoft and Morningside because the adjusted conversion price ofUSD3.66 is higher than the Company's common share fair value of USD3.13 at the time of the issuance. The BCF relating to IDG is calculated based on the difference between the conversion price of USD2.81 and the Company's common share fair value of USD3.13 multiplied by the number of shares into which the preferred shares are convertible into. Issuance cost of USD57 thousand recognized as a reduction of the Series E preferred shares carrying value. The net carrying amount of the Series E preferred shares is reported at USD136,683 thousand after taking into consideration the aggregate impact of the aforementioned items.

h) Triggering of the Series C preferred shares' anti-dilution clause (pro forma balance sheet adjustment)

Upon issuance of the Series E Tranche 2 preferred shares, the Company adjusted the Series C conversion price from USD3.64 to USD3.63. The downward conversion price adjustment was carried out in accordance with the anti-dilution clause in the original Series C financing agreement. As a result of this adjustment the Series C preferred shares contain a beneficial conversion feature of USD1 thousand and the amount will be charged to retained earnings as a deemed dividend.

i) Accretion of the Series E preferred shares (pro forma December 31, 2013 and March 31, 2014 income statement adjustment)

The adjustment of USD11,403 thousand and USD3,084 thousand reflects the accretion of the Series E Tranche 2 preferred shares for the year ended December 31, 2013 and the three months ended March 31, 2014, respectively. This represents the accretions at a rate of 15% per annum of the original issuance price. The accretion is recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital.

j) Amortization of beneficial conversion feature (pro forma December 31, 2013 and March 31, 2014 income statement adjustment)

The adjustment of USD289 thousand and USD72 thousand reflects the amortization of the beneficial conversion feature of the Series E Tranche 2 preferred shares for the year ended December 31, 2013 and the three months ended March 31, 2014, as if the issuance of the preferred occurred on January 1, 2013. The BCF of USD1,108 thousand is amortized over a four-year redemption period.

k) Repurchase transactions (pro forma balance sheet adjustment)

On April 15 and April 24, 2014, the Company repurchased a total number of 23,298,276 common and preferred shares from Skyline and other investors.

For the common shares repurchased, the Company charged the excess of the purchased price over the par value of USD41,566 thousand to additional paid in capital.

For the preferred shares, the Company charged the excess of the purchase price over the carrying value to retain earnings or to additional paid in capital if retain earnings is zero. The adjustments of USD1,359 thousand, USD1,874 thousand, USD8,489 thousand, and USD3,275 thousand (a total of USD14,997 thousand) reflects a deemed dividend from the Company to the preferred shareholders. USD2,486 thousand will be charged to retain earnings and the remaining USD12,511 thousand will be charged to additional paid in capital given that the Company's retain earnings balance has been exhausted. The Series D preferred shares, classified as mezzanine equity, and the Series A, A-1, B, classified as permanent equity, are derecognized upon the repurchase. The shares that will be derecognized only relates to the repurchased shares as stated in the table below. The deemed dividends are calculated based on

the difference between the purchase price over the carrying value of the preferred shares as follows:

Amounts expressed in thousands of USD, except for number of shares and per share data	Repurchased shares	Repurchase price	Carrying value at March 31, 2014	Deemed dividends at March 31, 2014	Mezzanine equity impact at March 31, 2014	Par value impact at March 31, 2014	Additional paid-in-capital impact at March 31, 2014	Retained earnings impact at March 31, 2014	Carrying value at January 1, 2013	Deemed dividends at January 1, 2013
		a	b	c=a-b					d	e=a-d
Common shares	14,664,637	41,570	4	41,566	—	(4)	(41,566)	—	4	41,566
Series A preferred shares	477,180	1,359	—	1,359	—	—	(1,359)	—	—	1,359
Series A-1 preferred shares	591,451	1,980	106	1,874	—	—	(1,980)	—	106	1,874
Series B preferred shares	3,756,065	10,968	2,479	8,489	—	(1)	(10,967)	—	2,479	8,489
Series D preferred shares	3,808,943	18,207	14,932	3,275	(14,932)	—	(789)	(2,486)	12,957	5,250
Total	23,298,276	74,084	17,521	56,563	(14,932)	(5)	(56,661)	(2,486)	15,546	58,538

l) *Article 11 pro forma basic and diluted net loss per share*

Certain adjustments impacting the income statement have not been reflected in the pro forma condense consolidated statement of income because they do not have a continuing impact. Such adjustments have been reflected in the pro forma earnings per share. These pro forma earnings per share does not reflect the conversion of the preferred shares into common shares upon a Qualified IPO.

Article 11 pro forma basic and diluted net loss per share for the year ended December 31, 2013 was calculated as follows:

Amounts expressed in thousands of USD, except for number of shares and per share data	Year ended December 31, 2013
Numerator:	
Net income attributable to Xunlei Limited	10,662
Loss for exchange of warrants of Skyline (3d)	(405)
Contingent BCF of the Series C preferred shares (3e and 3h)	(58)
Deemed dividend to Series D preferred shareholders (3f)	(279)
Accretion to Series D preferred shares redemption value (Note 3)	(2,752)
Accretion to Series E Tranche 1 preferred shares redemption value (3a)	(34,133)
Accretion to Series E Tranche 2 preferred shares redemption value (3i)	(11,403)
Amortisation of BCF of Series E Tranche 1 preferred shares (3b)	(13,094)
Amortisation of BCF of Series E Tranche 2 preferred shares (3j)	(289)
Deemed dividends to Series A preferred shareholder (3k)	(1,359)
Deemed dividends to Series A-1 preferred shareholder (3k)	(1,874)
Deemed dividends to Series B preferred shareholder (3k)	(8,489)
Deemed dividends to Series D preferred shareholder (3k)	(5,250)
Numerator of Article 11 pro forma net loss per share—Basic	(68,723)
Dilutive effect of warrant	—
Dilutive effect of preferred shares	—
Numerator for Article 11 pro-forma net loss per share—Diluted	(68,723)
Denominator:	
Denominator for net loss per share—Basic	61,447,372
Repurchase transactions (3k)	(14,664,637)
Denominator for Article 11 pro forma net loss per share—Basic	46,782,735
Denominator for Article 11 pro forma net loss per share—Diluted	46,782,735
Basic net loss per share	(1.47)
Diluted net loss per share	(1.47)

Article 11 pro forma basic and diluted net loss per share for the three months ended March 31, 2014 was calculated as follows:

Amounts expressed in thousands of USD, except for number of shares and per share data	Three months ended March 31, 2014
Numerator:	
Net income attributable to Xunlei Limited	418
Loss for exchange of warrants of Skyline (3d)	405
Accretion to Series D preferred shares redemption value (Note 4)	(726)
Accretion to Series E Tranche 1 preferred shares redemption value (3a, Note 1)*	(10,302)
Accretion to Series E Tranche 2 preferred shares redemption value (3i).	(3,084)
Amortisation of BCF of Series E Tranche 1 preferred shares (3b, Note 2)**	(3,274)
Amortisation of BCF of Series E Tranche 2 preferred shares (3j)	(72)
Numerator of Article 11 pro forma net loss per share—Basic	(16,635)
Dilutive effect of warrant	—
Dilutive effect of preferred shares	—
Numerator for Article 11 pro-forma net loss per share—Diluted	(16,635)
Denominator:	
Denominator for net loss per share—Basic	61,447,372
Repurchase transactions (3k)	(14,664,637)
Denominator for Article 11 pro forma net loss per share—Basic	46,782,735
Denominator for Article 11 pro forma net loss per share—Diluted	46,782,735
Basic net loss per share	(0.36)
Diluted net loss per share	(0.36)

* (7,777) [3a] + (2,525) [Note1] = (10,302)

** (2,341) [3b] + (933) [Note2] = (3,274)

Note: The potential common shares include warrants and preferred shares. Those potential common shares are not included in the calculation of diluted earnings per share as they are anti-dilutive. Therefore, diluted earnings per share is the same as basic earnings per share.

m) Automatic conversion of preferred shares and adjusted Article 11 pro forma basic and diluted net loss per share

The Series A, A-1, B, C, D and E preferred shares shall automatically be converted into common shares based on the then effective conversion ratio immediately prior to the closing of a Qualified IPO. The conversion ratio of Series A, A-1, B and E preferred shares was 1 for 1. The conversion ratio of the Series C preferred shares for one of the investor is 1 for 1.2654, due to the trigger of an anti-dilution clause in the original Series C investment agreement when the Series D preferred shares were issued as well as the modification of a conversion clause. The conversion ratio of the Series C preferred shares for the other investor is 1 for 1.4423, due to the trigger of an anti-dilution clause in the original Series C investment agreement when the Series D and E preferred shares were issued. The conversion ratio of the Series D preferred shares was 1 for 1.2393, due to the trigger of an anti-dilution clause in the original Series D investment agreement when the Series E preferred shares were issued.

The adjusted Article 11 pro-forma net loss per share for the year ended December 31, 2013 after giving effect to the conversion of the Series A, A-1, B, C, D and E preferred shares into common shares as if the conversion occurred at January 1, 2013, respectively is as follows:

Amounts expressed in thousands of USD, except for number of shares and per share data	Year ended December 31, 2013
Numerator:	
Pro forma net loss attributable to common shareholders	(68,723)
Contingent BCF of the Series C preferred shares (3e, 3h)	58
Accretion to Series D preferred shares redemption value (Note 3)	2,752
Accretion to Series E Tranche 1 preferred shares redemption value (3a)	34,133
Accretion to Series E Tranche 2 preferred shares redemption value (3i)	11,403
Amortisation of BCF of Series E Tranche 1 preferred shares (3b)	13,094
Amortisation of BCF of Series E Tranche 2 preferred shares (3j)	289
Numerator for adjusted Article 11 pro forma net loss per share—Basic	(6,994)
Numerator for adjusted Article 11 pro forma net loss per share—Diluted	(6,994)
Denominator:	
Denominator for pro forma net loss per share—Basic	46,782,735
Pro-forma effect of conversion preferred shares**	213,975,001
Denominator for adjusted Article 11 pro-forma net loss per share—Basic	260,757,736
Dilutive common share options	—
Pro-forma effect of warrants	—
Denominator for adjusted Article 11 pro forma net loss per share—Diluted	260,757,736
Adjusted Article 11 pro forma net loss per share attributable to common shareholders—Basic	(0.03)
Adjusted Article 11 pro forma net loss per share attributable to common shareholders—Diluted	(0.03)

** Assumed conversion since January 1, 2013 and thus outstanding for the full period.

Note: The potential common shares include warrants and preferred shares. Those potential common shares are not included in the calculation of diluted earnings per share as they are antidilutive. Therefore, diluted earnings per share is the same as basic earnings per share.

The adjusted Article 11 pro-forma net income per share for the three months ended March 31, 2014 after giving effect to the conversion of the Series A, A-1, B, C, D and E preferred shares into common shares as if the conversion occurred at January 1, 2013, respectively is as follows:

Amounts expressed in thousands of USD, except for number of shares and per share data	Three months ended March 31, 2014
Numerator:	
Pro forma net loss attributable to common shareholders	(16,635)
Accretion to Series D preferred shares redemption value (Note 4)	726
Accretion to Series E Tranche 1 preferred shares redemption value (3a, Note 1)*	10,302
Accretion to Series E Tranche 2 preferred shares redemption value (3i)	3,084
Amortisation of BCF of Series E Tranche 1 preferred shares (3b, Note 2)**	3,274
Amortisation of BCF of Series E Tranche 2 preferred shares (3j)	72
Numerator for adjusted Article 11 pro forma net income per share—Basic	823
Fair value change of warrants	(187)
Numerator for adjusted Article 11 pro forma net income per share—Diluted	636
Denominator:	
Denominator for Article 11 pro forma net income per share—Basic	46,782,735
Pro-forma effect of conversion preferred shares***	213,975,001
Denominator for adjusted Article 11 pro-forma net income per share—Basic	260,757,736
Dilutive common share options	12,399,591
Pro-forma effect of warrants	56,638,909
Denominator for adjusted Article 11 pro forma net income per share—Diluted	329,796,236
Adjusted Article 11 pro forma net income per share attributable to common shareholders—Basic	0.00
Adjusted Article 11 pro forma net income per share attributable to common shareholders—Diluted	0.00

* 7,777 [3a] + 2,525 [Note1] = 10,302

** 2,341 [3b] + 933 [Note2] = 3,274

*** Assumed conversion since January 1, 2013 and thus outstanding for the full period.

Note: The potential common shares include warrants and preferred shares. Those potential common shares are not included in the calculation of diluted earnings per share as they are antidilutive. Therefore, diluted earnings per share is the same as basic earnings per share.

Footnotes to EPS calculations

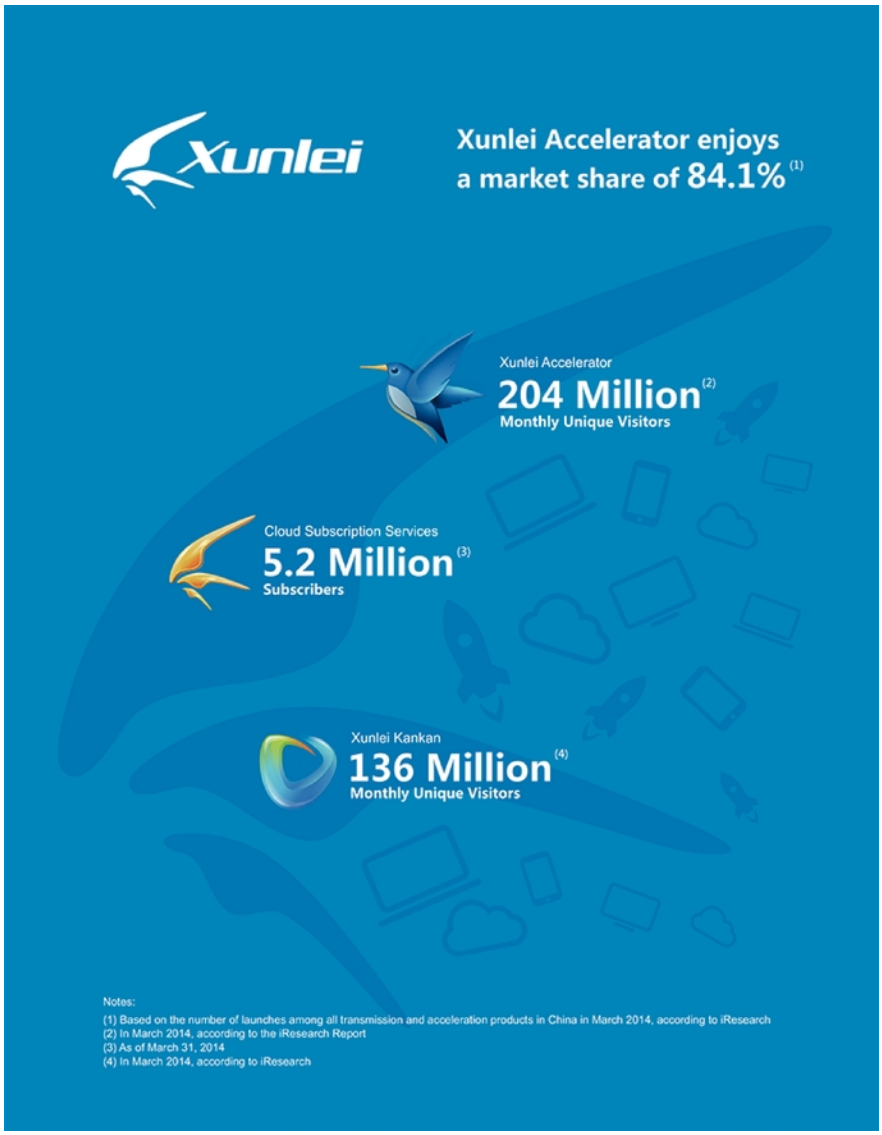
Note 1: Accretion of the Series E preferred shares of USD2,525 thousand recorded in the historical financial statement for the three month ended March 31, 2014.

Note 2: Amortization of the BCF of the Series E preferred shares of USD933 thousand recorded in the historical financial statement for the three months ended March 31, 2014.

Note 3: Accretion of the Series D preferred shares of USD4,300 thousand recorded in the historical financial statements for the year ended December 31, 2013, deduct the accretion of the Series D preferred shares repurchased, which was USD1,548 thousand for the year ended December 31, 2013.

Note 4: Accretion of the Series D preferred shares of USD1,153 thousand recorded in the historical financial statements for the three month ended March 31, 2014, deduct the accretion of the Series D preferred shares repurchased, which was USD427 thousand for the three month ended March 31, 2014.

Table of Contents



7,315,000 American Depositary Shares

Representing 36,575,000 common shares

Prospectus

J.P. Morgan **Citigroup**

Oppenheimer & Co.

, 2014.

Part II

Information not required in prospectus

Item 6. Indemnification of directors and officers.

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences or committing a crime. Our articles of association provide for indemnification of each of our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him, otherwise than by reason of his own dishonesty, actual fraud or willful default, in connection with the execution or discharge of his duties, powers, authorities or discretions as a director or officer of our company.

Pursuant to the form of indemnification agreements to be filed as Exhibit 10.7 to this Registration Statement, we will agree to indemnify our directors and officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

The form of Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 7. Recent sales of unregistered securities.

During the past three years, we have issued and sold the following securities described below without registering the securities under the Securities Act. None of the transactions involved a public offering or an underwriter.

Purchaser	Date of sale or issuance	Type and number of securities[1]	Consideration (US$)	Exemption from registration claimed
Vantage Point Global Limited	April 7, 2011	4,205,100 common shares[2]	Services of Mr. Sean Shenglong Zou, our co-founder, chairman and chief executive officer, to our company	Rule 701 or Regulation S under the Securities Act
Aiden & Jasmine Limited	April 7, 2011	4,205,100 common shares[2]	Services of Mr. Hao Cheng, our co-founder and director, to our company	Rule 701 or Regulation S under the Securities Act
RW Investments LLC	April 14, 2011	5,613,699 series C preferred shares	29.4 million	Section 4(2) of the Securities Act or Regulation S under the Securities Act[3]
CRP Holdings Limited	April 14, 2011	114,565 series C preferred shares	600,000	Section 4(2) of the Securities Act or Regulation S under the Securities Act[3]
Skyline Global Company Holdings Limited	February 6, 2012 and March 1, 2012	10,580,397 series D preferred shares and warrants to purchase 2,218,935 common shares	37.5 million	Section 4(2) of the Securities Act or Regulation S under the Securities Act[3]
Leading Advice Holdings Limited	November 12, 2013	9,073,732 common shares[4]	Par value of 0.00025 per share	Rule 701 or Regulation S under the Securities Act
Xiaomi Ventures Limited	March 5, 2014 and April 24, 2014	A total of 70,977,058 series E preferred shares, and a warrant, as amended, to purchase an additional 17,744,264 series E preferred shares	200 million	Regulation S under the Securities Act
Skyline Global Company Holdings Limited	March 5, 2014	Warrants, as amended, to purchase 3,406,899 series E preferred shares	in connection with the issuance of series E preferred shares	Section 4(2) of the Securities Act or Regulation S under the Securities Act[3]
King Venture Holdings Limited	April 24, 2014	31,939,676 series E preferred shares	US$90,000,000	Regulation S under the Securities Act

Purchaser	Date of sale or issuance	Type and number of securities[1]	Consideration (US$)	Exemption from registration claimed
Morningside China TMT Special Opportunity Fund, L.P.	April 24, 2014	3,233,399 series E preferred shares	US$9,111,111	Regulation S under the Securities Act
Morningside China TMT Fund III Co-Investment, L.P.	April 24, 2014	315,454 series E preferred shares	US$888,889	Regulation S under the Securities Act
IDG Technology Venture Investment V, L.P.	April 24, 2014	3,548,853 series E preferred shares	US$10,000,000	Regulation S under the Securities Act
Directors, executive officers and employees and consultants of our company	Various dates	Options to purchase 21,374,267 common shares and 7,457,318 restricted shares (excluding those forfeited)[5]	Services to our company	Rule 701 or Regulation S under the Securities Act

(1) After giving effect to the 4-for-1 share split effected on January 21, 2011.

(2) The Registrant granted an option to purchase 4,205,100 common shares to each of its co-founders, Mr. Sean Shenglong Zou and Mr. Hao Cheng, in 2006 and issued the equivalent number of common shares to Vantage Point Global Limited, a British Virgin Islands company beneficially owned by Mr. Zou, and Aiden & Jasmine Limited, a British Virgin Islands company beneficially owned by Mr. Cheng, in April 2011 upon the founders' exercise of their fully vested options.

(3) The purchaser in this transaction was either (a) an accredited investor within the definition set forth in Rule 501 under the Securities Act, or (b) a non-U.S. person that was not subscribing for the securities for the account or benefit of any U.S. person. "U.S. person" was as defined in Regulation S under the Securities Act.

(4) The shares were issued and sold at a par value to the purchaser who would hold such shares in the capacity of the plan administrator under the 2013 Plan adopted by the Registrant in November 2013. See "Management—Share Incentive Plans—2013 Plan" in the prospectus which forms part of this registration statement for details of the Plan.

(5) All the options were granted pursuant to the 2010 Plan adopted by the Registrant in December 2010 and all restricted shares were granted pursuant to the 2013 Plan adopted by the Registrant in November 2013. See Management—Share Incentive Plans—2010 Plan" in the prospectus which forms part of this registration statement for details of the Plan.

Item 8. Exhibits and financial statement schedules.

(a) Exhibits

See Exhibit index beginning on page II-8 of this registration statement.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

Item 9. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Signatures

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Shenzhen, China, on June 12, 2014.

Xunlei Limited

By: /s/ SEAN SHENGLONG ZOU

Name: Sean Shenglong Zou
Title: Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ SEAN SHENGLONG ZOU Sean Shenglong Zou	Chairman and Chief Executive Officer (principal executive officer)	June 12, 2014
/s/ TAO THOMAS WU Tao Thomas Wu	Chief Financial Officer (principal financial and principal accounting officer)	June 12, 2014
* Hao Cheng	Director	June 12, 2014
* Qin Liu	Director	June 12, 2014
* Quan Zhou	Director	June 12, 2014
* Feng Hong	Director	June 12, 2014
* Chuan Wang	Director	June 12, 2014

Signature	Title	Date
*		
Hongjiang Zhang	Director	June 12, 2014
*		
Peng Huang	Director	June 12, 2014

*By: /s/ SEAN SHENGLONG ZOU

Name: Sean Shenglong Zou
Attorney-in-fact

Signature of authorized representative in the United States

Pursuant to the Securities Act of 1933, the undersigned, the duty authorized representative in the United States of Xunlei Limited has signed this registration statement or amendment thereto in New York on June 12, 2014.

Authorized U.S. Representative

By: /s/ AMY SEGLER

Name: Amy Segler
Title: Service of Process Officer,
Law Debenture Corporate Services Inc.

Xunlei Limited

Exhibit index

Exhibit number	Description of document
1.1*	Form of Underwriting Agreement.
3.1†	Seventh Amended and Restated Memorandum and Sixth Amended and Restated Articles of Association of the Registrant, as currently in effect.
3.2	Eighth Amended and Restated Memorandum and Seventh Amended and Restated Articles of Association of the Registrant, as effective upon the completion of this offering.
4.1	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3).
4.2	Registrant's Specimen Certificate for Common Shares.
4.3	Form of Deposit Agreement, among the Registrant, the depositary and holder of the American Depositary Receipts.
4.4	Seventh Amended and Restated Shareholders Agreement dated as of April 24, 2014, as amended, among the Registrant and its subsidiaries, Shenzhen Xunlei Networking Technologies Co., Ltd. and its subsidiaries, the common shareholders and the preferred shareholders of the Registrant listed thereunder.
4.5†	Series D Preferred Share Purchase Agreement, among the Registrant, Skyline Global Company Holding Limited and other parties therein, dated as of January 31, 2012.
4.6†	Series E Preferred Share Purchase Agreement, among the Registrant, Xiaomi Ventures Limited and other parties therein, dated as of February 13, 2014.
4.7†	Warrant issued by the Registrant to Xiaomi Ventures Limited dated as of March 5, 2014
4.8†	Warrant issued by the Registrant to Skyline Global Company Holdings Limited, dated as of March 5, 2014
4.9†	Supplemental Agreement to Series E Preferred Share Purchase Agreement, among the Registrant, Xiaomi Ventures Limited and other parties therein, dated as of March 20, 2014.
4.10†	Series E Preferred Share Purchase Agreement, among the Registrant, King Venture Holdings Limited, Morningside China TMT Special Opportunity Fund, L.P., Morningside China TMT Fund III Co-Investment, L.P. and IDG Technology Venture Investment V, L.P., dated as of April 3, 2014.
5.1	Opinion of Maples and Calder regarding the validity of the common shares being registered.
8.1	Opinion of Maples and Calder regarding certain Cayman Islands tax matters (included in Exhibit 5.1).
8.2	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding certain U.S. tax matters.
8.3	Opinion of Zhong Lun Law Firm regarding certain PRC tax matters (included in Exhibit 99.2).

Exhibit number	Description of document
10.1†	2010 Share Incentive Plan.
10.2†	2013 Share Incentive Plan.
10.3†	Letter Agreement signed by Leading Advice Holdings Limited in relation to 2013 Share Incentive Plan of the Registrant, dated as of March 20, 2014.
10.4	2014 Share Incentive Plan and amendment thereto.
10.5†	Letter Agreement signed by Leading Advice Holdings Limited in relation to 2014 Share Incentive Plan of the Registrant, dated as of May 5, 2014.
10.6†	Letter Agreement signed by Leading Advice Holdings Limited in relation to 2013 Share Incentive Plan and 2014 Share Incentive Plan of the Registrant, dated as of May 19, 2014.
10.7	Form of Indemnification Agreement with the Registrant's Directors and Officers.
10.8	Forms of Employment Agreement between the Registrant and the Executive Officers of the Registrant.
10.9†	English Translation of Business Operation Agreement, dated as of November 15, 2006, as amended on March 1, 2012, among Giganology Shenzhen, Shenzhen Xunlei and the shareholders of Shenzhen Xunlei.
10.10†	English Translation of Equity Pledge Agreement, dated as of November 15, 2006, as amended on May 10, 2011, March 1, 2012 and March 10, 2014, among Giganology Shenzhen and the shareholders of Shenzhen Xunlei.
10.11†	English Translation of Power of Attorney, dated as of May 10, 2011, between Giganology Shenzhen and Shenglong Zou.
10.12†	English Translation of Power of Attorney, dated as of May 10, 2011, between Giganology Shenzhen and Hao Cheng.
10.13†	English Translation of Power of Attorney, dated as of May 10, 2011, between Giganology Shenzhen and Fang Wang.
10.14†	English Translation of Power of Attorney, dated as of May 10, 2011, between Giganology Shenzhen and Jianming Shi.
10.15†	English Translation of Power of Attorney, dated as of May 10, 2011, between Giganology Shenzhen and Guangzhou Shulian Information Investment Co., Ltd.
10.16†	English Translation of Exclusive Technical Support and Services Agreement, dated as of September 16, 2005, as amended on November 15, 2006 and March 10, 2014, between Giganology Shenzhen and Shenzhen Xunlei.
10.17†	English Translation of Exclusive Technology Consulting and Training Agreement, dated as of September 16, 2005, as amended on November 15, 2006 and March 10, 2014, between Giganology Shenzhen and Shenzhen Xunlei.
10.18†	English Translation of Proprietary Technology License Contract, dated as of March 1, 2012, between Giganology Shenzhen and Shenzhen Xunlei.
10.19†	English Translation of Intellectual Properties Purchase Option Agreement dated as of March 1, 2012, as amended on March 10, 2014, between Giganology Shenzhen and Shenzhen Xunlei.

Exhibit number	Description of document
10.20†	English Translation of Loan Agreement, dated as of December 22, 2010, as amended on March 1, 2012 and March 10, 2014, among Giganology Shenzhen, Guangzhou Shulian Information Investment Co., Ltd., Sean Shenglong Zou, Hao Cheng, Fang Wang and Jianming Shi.
10.21†	English Translation of Loan Agreement, dated as of May 10, 2011, as amended on March 1, 2012, between Giganology Shenzhen and Sean Shenglong Zou.
10.22†	English Translation of Equity Interests Disposal Agreement, dated as of November 15, 2006, as amended on May 10, 2011, between Giganology Shenzhen, Guangzhou Shulian Information Investment Co., Ltd., Sean Shenglong Zou, Hao Cheng, Fang Wang and Jianming Shi.
10.23†	English Translation of Technology Development and Software License Framework Agreement dated as of December 24, 2013, between Shenzhen Xunlei and Xunlei Computer.
10.24	Content Protection Agreement between Shenzhen Xunlei Networking Technologies Co., Ltd., MPAA and other parties therein, dated as of May 22, 2014.
21.1†	Subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers, an Independent Registered Public Accounting Firm.
23.2	Consent of Maples and Calder (included in Exhibit 5.1).
23.3	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit 8.2).
23.4	Consent of Zhong Lun Law Firm (included in Exhibit 99.2).
23.5†	Consent of iResearch Consulting Group.
23.6†	Consent of Analysys International.
24.1†	Powers of Attorney (included on signature page).
99.1	Code of Business Conduct and Ethics of the Registrant.
99.2	Opinion of Zhong Lun Law Firm regarding certain PRC legal matters.
99.3	Consent of Jenny Wenjie Wu.
99.4	Consent of Yongfu Yu.

† previously filed.

* to be filed by amendment.

Company No.: CR-144719

EIGHTH AMENDED AND RESTATED

MEMORANDUM OF ASSOCIATION

AND

SEVENTH AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

XUNLEI LIMITED
□□□□□□

Adopted by Special Resolution
passed on June 11, 2014 and
effective conditional and immediately upon the completion of the Company's initial public offering of Common Shares represented by American Depositary Shares

INCORPORATED IN THE CAYMAN ISLANDS

THE COMPANIES LAW (2013 REVISION)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES

EIGHTH AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION

OF

XUNLEI LIMITED
□□□□□□

Adopted by a Special Resolution
passed on June 11, 2014 and
effective conditional and immediately upon the completion of the Company's initial public offering of Common Shares represented by American Depositary Shares

1. The name of the Company is Xunlei Limited□□□□□□.

2. The registered office of the Company shall be at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands or at such other place as the Directors may from time to time decide.

3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law (2013 Revision) or as the same may be revised from time to time, or any other law of the Cayman Islands.

4. The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.

5. The authorized share capital of the Company is US$250,000 divided into 1,000,000,000 Common Shares of a par value of US$0.00025 each.

6. The Company has the power to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law (2013 Revision) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare, every issue of shares, whether declared to be preference or otherwise, shall be subject to the powers hereinbefore contained.

7. The Company has the power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

8. Capitalized terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company.

THE COMPANIES LAW (2013 REVISION)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES

SEVENTH AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

XUNLEI LIMITED
□□□□□□

Adopted by a Special Resolution
passed on June 11, 2014 and
effective conditional and immediately upon completion of the Company's initial public offering of Common Shares represented by American Depositary Shares

INTERPRETATION

1. In these Articles, Table A in the First Schedule in the Companies Law does not apply and unless otherwise defined, the defined terms shall have the meanings assigned to them as follows:

"ADS"	means an American Depositary Share representing Common Shares;
"AFFILIATE"	with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control, with such specified Person;
"ARTICLES"	the Articles of Association of the Company as altered, amended or restated from time to time;
"BUSINESS DAY"	a day (excluding Saturdays or Sundays), on which banks in Hong Kong, Shanghai, Beijing and New York are open for general banking business throughout their normal business hours;
"CHAIRMAN"	the Chairman appointed pursuant to Article 77;
"COMMON SHARE"	common share in the share capital of the Company;
"COMMISSION"	Securities and Exchange Commission of the United States of America or any other federal agency for the time being administering the Securities Act;
"COMPANIES LAW"	the Companies Law (2013 Revision) of the Cayman Islands and any statutory amendment or re-enactment thereof. Where any provision of the Companies Law is referred to, the reference is to that provision as amended by any law for the time being in force;
"COMPANY"	Xunlei Limited□□□□□□, a Cayman Islands company limited by shares;

"COMPANY'S WEBSITE"	the website of the Company, the address or domain name of which has been notified to Members;
"DESIGNATED STOCK EXCHANGE"	means the stock exchange in the United States that the Company's ADSs are listed for trading;
"DESIGNATED STOCK EXCHANGE RULES"	means the relevant code, rules and regulations, as amended, from time to time, applicable as a result of the original and continued listing of any shares or ADSs on the Designated Stock Exchange;
"DIRECTORS", "BOARD OF DIRECTORS" and "BOARD"	the directors of the Company for the time being, or as the case may be, the Directors assembled as a Board or as a committee thereof;
"ELECTRONIC"	the meaning given to it in the Electronic Transactions Law (2003 Revision) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefore;
"ELECTRONIC COMMUNICATION"	electronic posting to the Company's Website, transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than two-thirds of the vote of the Board;
"IN WRITING"	includes writing, printing, lithograph, photograph, type-writing and every other mode of representing words or figures in a legible and non-transitory form and, only where used in connection with a notice served by the Company on Members or other persons entitled to receive notices hereunder, shall also include a record maintained in an electronic medium which is accessible in visible form so as to be useable for subsequent reference;
"MEMBER"	the meaning given to it in the Companies Law;
"MEMORANDUM OF ASSOCIATION"	the Memorandum of Association of the Company, as altered, amended or re-stated from time to time;
"MONTH"	calendar month;
"NON- INDEPENDENT DIRECTOR"	any director(s) of the Company who is/are not an Independent Director(s) as defined in Designated Stock Exchange Rules.
"ORDINARY RESOLUTION"	a resolution: (a) passed by a simple majority of votes cast by such Members as, being entitled to do so, vote in person or, in the case of any Member being an organization, by its duly authorized representative or, where proxies are allowed, by proxy at a general meeting of the Company; or (b) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments

---

"PAID UP"	paid up as to the par value and any premium payable in respect of the issue of any shares and includes credited as paid up;
"PERSON"	any individual, partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under section 13(d)(3) of the Securities Exchange Act;
"REGISTER OF MEMBERS"	the register of members to be kept by the Company in accordance with the Companies Law;
"SEAL"	the Common Seal of the Company (if adopted) including any facsimile thereof;
"SECURITIES ACT"	the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time;
"SECURITIES EXCHANGE ACT"	the Securities Exchange Act of 1934 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time;
"SHARE"	any share in the capital of the Company and includes a fraction of a share;
"SIGNED"	includes a signature or representation of a signature affixed by mechanical means or an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a person with the intent to sign the electronic communication;
"SPECIAL RESOLUTION"	the meaning given to it in the Companies Law and includes a unanimous written resolution;
"STATUTES"	the Companies Law and every other laws and regulations of the Cayman Islands for the time being in force concerning companies and affecting the Company;
"SUBSIDIARIES"	with respect to any Person, any or all corporations, partnerships, limited liability companies, joint ventures, associations and other entities controlled by such person directly or indirectly through one or more intermediaries; and
"TREASURY SHARE"	means a Share held in the name of the Company as a treasury share in accordance with the Statute.
"YEAR"	calendar year.

2. In these Articles, save where the context requires otherwise:

(a) words importing the singular number shall include the plural number and vice versa;

(b) words importing the masculine gender only shall include the feminine gender;

(c) words importing persons only shall include companies or associations or bodies of persons, whether corporate or not;

(d) "MAY" shall be construed as permissive and "SHALL" shall be construed as imperative;

(e) a reference to a dollar or dollars (or $) is a reference to dollars of the United States;

(f) references to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force;

(g) any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms; and

(h) Sections 8 and 19(3) of the Electronic Transactions Law (2003 Revision) shall not apply.

3. Subject to the last two preceding Articles, any words defined in the Companies Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

PRELIMINARY

4. The business of the Company may be conducted as the Directors see fit.

5. The registered office of the Company shall be at such address in the Cayman Islands as the Directors shall from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.

ISSUE OF SHARES

6. Subject to the provisions, if any, in the Memorandum of Association, these Articles and to any direction that may be given by the Company in a general meeting, the Directors may, in their absolute discretion and without approval of the existing Members, issue Shares or provide, out of the unissued Shares, for series of preferred shares, provided however that:

(a) if such issued Shares account for three percent (3%) or less of the total outstanding Shares upon the completion of the issuance of Shares, such issuance may only be approved by a simple majority of the entire Board of Directors (which shall include one Non-Independent Director);

(b) if such issued Shares account for more than three percent (3%) and not exceeding five percent (5%) of the total outstanding shares upon the completion of the issuance of Shares, such issuance may only be approved by at least two-thirds (2/3) of the entire Board of Directors (which shall include one Non-Independent Director);

(c) if such issued Shares account for more than five percent (5%) and not exceeding ten percent (10%) of the total outstanding shares upon the completion of the issuance of

---

Shares, such issuance may only be approved by a unanimous resolution of the entire Board of Directors; and

(d) if such issued Shares account for more than ten percent (10%) of the total outstanding shares upon the completion of the issuance of Shares, such issuance may only be approved by (i) a unanimous resolution of the entire Board of Directors and (ii) an Ordinary Resolution.

Except for the foregoing, all other matters relating to Shares, including granting rights over existing Shares or issuing other securities in one or more series and determining designations, powers, preferences, privileges and other rights, including dividend rights, conversion rights, terms of redemption and liquidation preferences, any or all of which may be greater than the powers and rights associated with the Shares held by existing Members, may be approved only by an Ordinary Resolution. The Company shall not issue shares in bearer form.

7. The powers, preferences and relative, participating, optional and other special rights of each series of preferred shares, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. All shares of any one series of preferred shares shall be identical in all respects with all other shares of such series, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative.

REGISTER OF MEMBERS AND SHARE CERTIFICATES

8. The Company shall maintain a Register of Members and a Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Share certificates (if any) shall specify the share or shares held by that person and the amount paid up thereon, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all. All certificates for shares shall be delivered personally or sent through the post addressed to the Member entitled thereto at the Member's registered address as appearing in the Register of Members.

9. All share certificates shall bear legends required under the applicable laws, including the Securities Act.

10. Any two or more certificates representing shares of any one class held by any Member may at the Member's request be cancelled and a single new certificate for such shares issued in lieu on payment (if the Directors shall so require) of US$1.00 or such smaller sum as the Directors shall determine.

11. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same shares may be issued to the relevant Member upon request subject to delivery up of the old certificate or (if alleged to have been lost, stolen or destroyed) compliance with such conditions as to evidence and indemnity and the payment of out-of-pocket expenses of the Company in connection with the request as the Directors may think fit.

12. In the event that shares are held jointly by several persons, any request may be made by any one of the joint holders and if so made shall be binding on all of the joint holders.

TRANSFER OF SHARES

13. (a) Shares of the Company are transferable; provided that the Board may, in its sole discretion, decline to register any transfer of any share which is not fully paid up or on which the Company has a lien.

(b) The Directors may also decline to register any transfer of any share unless:

(i) the instrument of transfer is lodged with the Company, accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

(ii) the shares transferred are free of any lien in favor of the Company; and

(iii) a fee of such maximum sum as the Designated Stock Exchange may determine to be payable, or such lesser sum as the Board may from time to time require, is paid to the Company in respect thereof.

(c) If the Directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

(d) Any one of the Directors authorized by the Board shall have the power to renounce the Company's discretion under this Article 13 and accept a transfer of shares and authorize the registration of such share transfer.

14. The registration of transfers may, on 14 days' notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and the register closed at such times and for such periods as the Board may from time to time determine.

15. The instrument of transfer of any share shall be in writing and executed by or on behalf of the transferor (and if the Directors so require, signed by the transferee). Without prejudice to the last preceding Article, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members.

16. All instruments of transfer registered may be retained by the Company.

REDEMPTION, PURCHASE AND SURRENDER OF OWN SHARES

17. Subject to the provisions of the Statutes and these Articles, the Company may:

(a) issue Shares on terms that such Shares are to be redeemed or are liable to be redeemed at the option of the Company or the Member and the redemption of shares shall be effected on such terms and in such manner as the Board may, before the issue of such shares, determine;

(b) purchase its own Shares (including any redeemable Shares) provided that the Members shall have approved the manner of purchase by ordinary resolution unless:

i. if the number of Shares being purchased is less than 3% of the issued Shares of the Company, then the Company may purchase its own Shares in such manner the Board of Directors may, by a simple majority of the entire Board of Directors (which shall include one Non-Independent Director), approve and on such terms

---

as the Board of Directors may agree with the relevant Member; and

ii. if the number of Shares being purchased is more than 3% but less than 5% of the issued Shares of the Company, then the Company may purchase its own Shares in such manner the Board of Directors may, by a majority of two-thirds (2/3rds) of the entire Board of Directors (which shall include one Non-Independent Director), approve and on such terms as the Board of Directors may agree with the relevant Member; and

(c) the Company may make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Statutes, including out of capital.

18. The Directors may accept the surrender for no consideration of any fully paid Share.

TREASURY SHARES

19. The Directors may, prior to the purchase, redemption or surrender of any Share, determine that such Share shall be held as a Treasury Share.

20. The Directors may determine to cancel a Treasury Share or transfer a Treasury Share on such terms as they think proper (including, without limitation, for nil consideration).

VARIATION OF RIGHTS ATTACHING TO SHARES

21. If at any time the share capital is divided into different classes or series of shares, the rights attaching to any class or series (unless otherwise provided by the terms of issue of the shares of that class or series) may, subject to these Articles, be varied or abrogated with the consent in writing of the holders of a majority of the issued shares of that class or series or with the sanction of an Ordinary Resolution passed at a general meeting of the holders of the shares of that class or series.

22. The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of one class or series of shares except the following:

    (a) separate general meetings of the holders of a class or series of shares may be called only by (i) the Chairman of the Board, or (ii) a simple majority of the entire Board of Directors (which shall include one Non-Independent Director) (unless otherwise specifically provided by the terms of issue of the shares of such class or series). Nothing in this Article 22 or Article 21 shall be deemed to give any Member or Members the right to call a class or series meeting.

    (b) the necessary quorum shall be one or more persons holding or representing by proxy at least one-third of the issued shares of the class or series and that any holder of shares of the class or series present in person or by proxy may demand a poll.

23. The rights conferred upon the holders of the shares of any class or series issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class or series, be deemed to be varied by the creation or issue of further shares ranking in priority to or pari passu therewith.

COMMISSION ON SALE OF SHARES

24. The Company may, in so far as the Statutes from time to time permit, pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether absolutely or conditionally for any shares of the Company. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

NON-RECOGNITION OF TRUSTS

25. No person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future, or partial interest in any share, or any interest in any fractional part of a share, or (except only as is otherwise provided by these Articles or the Statutes) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

LIEN ON SHARES

26. The Company shall have a first and paramount lien and charge on all shares (whether fully paid-up or not) registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The registration of a transfer of any such share shall operate as a waiver of the Company's lien (if any) thereon. The Company's lien (if any) on a share shall extend to all dividends or other monies payable in respect thereof.

27. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of 14 calendar days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the persons entitled thereto by reason of his death or bankruptcy.

28. To give effect to any such sale the Directors may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

29. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

30. Subject to the terms of allotment, the Directors may from time to time make calls upon the Members in respect of any money unpaid on their shares, and each Member shall (subject to receiving at least 14 calendar days' notice specifying the time or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.

---

31. The joint holders of a share shall be jointly and severally liable to pay calls in respect thereof.

32. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate of eight percent per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.

33. The provisions of these Articles as to the liability of joint holders and as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the amount of the share, or by way of premium, as if the same had become payable by virtue of a call duly made and notified.

34. The Directors may make arrangements on the issue of shares for a difference between the Members, or the particular shares, in the amount of calls to be paid and in the times of payment.

35. The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any shares held by him, and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding without the sanction of an Ordinary Resolution, eight percent per annum) as may be agreed upon between the Member paying the sum in advance and the Directors. No such sum paid in advance of calls shall entitle the member paying such sum to any portion of a dividend declared in respect of any period prior to the date upon which such sum would, but for such payment, become presently payable.

FORFEITURE OF SHARES

36. If a Member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.

37. The notice shall name a further day (not earlier than the expiration of 14 calendar days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the shares in respect of which the call was made will be liable to be forfeited.

38. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by notice has been made, be forfeited by a resolution of the Directors to that effect.

39. A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

40. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, but his liability shall cease if and when the Company receives payment in full of the fully paid up amount of the shares.

41. A certificate in writing under the hand of a Director of the Company, and that a share has been forfeited on a date stated in the certificate, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the

---

consideration, if any, given for the share or any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

42. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes due and payable, whether on account of the amount of the par value of the Share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

REGISTRATION OF EMPOWERING INSTRUMENTS

43. The Company shall be entitled to charge a fee not exceeding one dollar (US$1.00) on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas, or other instrument.

TRANSMISSION OF SHARES

44. The legal personal representative of a deceased sole holder of a share shall be the only person recognised by the Company as having any title to the share. In the case of a share registered in the name of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased survivor, shall be the only person recognised by the Company as having any title to the share.

45. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member shall upon such evidence being produced as may from time to time be properly required by the Directors, have the right either to be registered as a Member in respect of the share or, instead of being registered himself, to make such transfer of the share as the deceased or bankrupt person could have made. If the person so becoming entitled shall elect to be registered himself as holder he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.

46. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company, provided however, that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within 90 calendar days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

ALTERATION OF CAPITAL

47. The Company may by Ordinary Resolution:

(a) increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(c) sub-divide its existing shares or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and

(d) cancel any Shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

48. Subject to the provisions of the Statutes and these Articles as regards to the matters to be dealt with by Ordinary Resolution, the Company may by Special Resolution:

(a) change its name;

(b) alter or add to these Articles;

(c) alter or add to the Memorandum of Association with respect to any objects, powers or other matters specified therein; and

(d) reduce its share capital and any capital redemption reserve in any manner authorized by law.

49. All new shares created hereunder shall be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE

50. For the purpose of determining those Members that are entitled to receive notice of, attend or vote at any meeting of Members or any adjournment thereof, or those Members that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Member for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period but not to exceed in any case 30 calendar days. If the Register of Members shall be so closed for the purpose of determining those Members that are entitled to receive notice of, attend or vote at a meeting of Members such register shall be so closed for at least 10 calendar days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register of Members.

51. In lieu of or apart from closing the Register of Members, the Directors may fix in advance a date as the record date for any such determination of those Members that are entitled to receive notice of, attend or vote at a meeting of the Members and for the purpose of determining those Members that are entitled to receive payment of any dividend, the Directors may, at or within 30 calendar days prior to the date of declaration of such dividend fix a subsequent date as the record date of such determination.

52. If the Register of Members is not so closed and no record date is fixed for the determination of those Members entitled to receive notice of, attend or vote at a meeting of Members or those Members that are entitled to receive payment of a dividend, the date on which notice of the meeting is posted or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of those Members that are entitled to receive notice of, attend or vote at a meeting of Members has been made as provided in this section, such determination shall apply to any adjournment thereof.

GENERAL MEETINGS

53. All general meetings of the Company other than annual general meetings shall be called extraordinary general meetings.

54. (a) The Company may hold an annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as the Directors shall determine.

(b) At these meetings the report of the Directors (if any) shall be presented.

55. (a) The Chairman of the Board or a simple majority of the Board of Directors of the Company (which shall include one Non-Independent Director) may convene a general meeting of the Company, such meetings shall be held at such time and place as the person(s) calling such meeting shall determine.

(b) The Directors shall on the requisition of Members of the Company holding as at the date of the deposit of the requisition not less than one-third of the aggregate voting power of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, proceed to convene a general meeting of the Company.

(c) The requisition must state the objects of the meeting and must be signed by the requisitionists and be deposited at the registered office of the Company and may consist of several documents in like form each signed by one or more requisitionists.

(d) If the Directors do not within twenty-one (21) days from the date of the deposit of the requisition duly proceed to convene a general meeting, the requisitionists, or any of them representing more than one-half of the total voting power of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three months after the expiration of the said twenty-one (21) days.

(e) A general meeting convened as aforesaid by the requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

(f) Subject to any resolutions required to be passed as Special Resolutions under the Companies Law, any resolutions passed in an extraordinary general meetings convened pursuant to Section 55(a) above should be by Ordinary Resolutions.

NOTICE OF GENERAL MEETINGS

56. At least seven calendar days' notice shall be given for any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of these Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting by all the Members (or their proxies) entitled to attend and vote thereat; and

(b) in the case of an extraordinary general meeting by a majority in number of the Members (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than ninety five percent in par value of the shares giving that right.

56A The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Member shall not invalidate the proceedings at any meeting.

PROCEEDINGS AT GENERAL MEETINGS

57. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. One or more Member(s) holding not less than an aggregate of fifty (50) percent of the total voting power of the Company in issue present in person or by proxy and entitled to vote shall be a quorum for all purposes.

58. If determined by the Board of Directors and specified in the notice of a general meeting, a person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.

59. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the next week, at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the meeting shall be dissolved.

60. The Chairman of the Board of Directors shall preside as chairman at every general meeting of the Company, except as provided in Article 61 below.

61. If at any meeting the Chairman of the Board of Directors is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, the Members present shall choose a chairman of the meeting.

62. The chairman of a general meeting may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn a meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for 10 calendar days or more, not less than 7 Business Days' notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

63. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or by one or more Members present in person or by proxy entitled to vote and who together hold not less than 10 percent of the paid up voting share capital of the Company, and unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.

---

64. If a poll is duly demanded, it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.

65. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall not be entitled to a second or casting vote.

66. A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

66A A resolution (including a Special Resolution) in writing (in one or more counterparts) signed by or on behalf of all of the Members for the time being entitled to receive notice of and to attend and vote at general meetings (or, being corporations or other non-natural persons, signed by their duly authorised representatives) shall be as valid and effective as if the resolution had been passed at a general meeting of the Company duly convened and held.

VOTES OF MEMBERS

67. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

68. A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, or other person in the nature of a committee appointed by that court, and any such committee or other person, may on a poll, vote by proxy.

69. No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

70. On a poll, votes may be given either personally or by proxy.

71. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized. A proxy need not be a Member of the Company.

72. An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

73. The instrument appointing a proxy shall be deposited at the registered office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company:

(a) not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; or

(b) in the case of a poll taken more than 48 hours after it is demanded, be deposited as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or

---

(c) where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded be delivered at the meeting at which the poll was demanded to the chairman or to the secretary or to any director;

provided that the Directors may in the notice convening the meeting, or in an instrument of proxy sent out by the Company, direct that the instrument appointing a proxy may be deposited (no later than the time for holding the meeting or adjourned meeting) at the registered office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company. The Chairman may in any event at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited. An instrument of proxy that is not deposited in the manner permitted shall be invalid.

74. Votes given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given unless notice in writing of such death, insanity, revocation or transfer was received by the Company before the commencement of the general meeting, or adjourned meeting at which it is sought to use the proxy.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETING

75. Any corporation which is a Member or a Director may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members or of the Board of Directors or of a committee of Directors, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member or Director.

DEPOSITARY AND CLEARING HOUSES

76. If a depositary (or its nominee) or clearing house (or its nominee) is a Member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its representative or representatives at any general meeting of the Company or at any general meeting of any class of Members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized pursuant to this provision shall be entitled to exercise the same powers on behalf of the depositary (or its nominee) or the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

DIRECTORS

77. (a) The Board shall consist of not less than five Directors (two of which must be Non-Independent Directors and exclusive of alternate Directors), provided that the Company may from time to time by Ordinary Resolution increase or decrease the number of Directors on the Board.

(b) Each Director shall hold office until the expiration of his term and until his successor shall have been elected and qualified.

(c) The Board of Directors shall have a Chairman of the Board of Directors (the "Chairman") elected and appointed by a simple majority of the Directors then in office (which shall include a Non-Independent Director). The Chairman shall be a Non-Independent Director. The Directors may also elect a Co-Chairman or a Vice-Chairman of the Board of Directors (the "Co-Chairman"). The Chairman shall preside as chairman at every meeting of the Board of Directors. To the extent the Chairman is not present at a meeting of the Board of Directors, the Co-Chairman, or in his absence, the attending Directors may choose one Director to be the chairman of the meeting. The Chairman's voting right as to the matters to be decided by the Board of Directors shall be the same as other Directors.

(d) A Director may be removed from office by Ordinary Resolution at any time before the expiration of his term notwithstanding any agreement between the Company and such Director (but without prejudice to any claim for damages under such agreement).

(e) A Director shall be automatically and immediately removed from office if (i) he is notified of, and fails to attend, an aggregate of three (3) duly called and constituted Board meetings within any 365-day period or (ii) if a simple majority of all Directors determine at a dully called and constituted Board meeting that such Director has been guilty of actual fraud or willful neglect in performing his duties as a Director.

(f) Subject to these Articles, the Company may by Ordinary Resolution elect any person to be a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Only a shareholder who holds more than 5% of the outstanding and issued shares at that time is entitled to nominate a candidate for the Director.

(g) The Directors by the affirmative vote of a simple majority of the remaining Directors (which shall include one Non-Independent Director) present and voting at a Board meeting, may from time to time and at any time appoint any person nominated by a shareholder entitled to nominate as a Director, to fill a casual vacancy on the Board or as an addition to the existing Board.

(h) A vacancy on the Board created by the removal of a Director may be filled by the election or appointment by Ordinary Resolution at the meeting at which such Director is removed or by the affirmative vote of a simple majority of the remaining Directors (which shall include a Non-Independent Director) present and voting at a duly called and constituted Board meeting.

(i) If (i) a Director was or is affiliated with or was appointed to the Board by a holder or a group of Affiliated holders of Common Shares converted from preferred shares of the Company prior to the completion of the Company's initial public offering, and (ii) such holder or holders cease to own in aggregate 5% or more of the Company's total issued Common Shares, the Board may request the Director to resign from the Board and the Director shall resign from the Board when a suitable Director replacement candidate is identified by the Board after a reasonable period of time.

78. The Board may, from time to time, and except as required by applicable law or the rules of the recognized stock exchange or automated quotation system where the Company's securities are traded, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives, which shall be intended to set forth the policies of the Company and the Board on various corporate governance related matters as the Board shall determine by resolution from time to time.

---

79. A Director shall not be required to hold any shares in the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at general meetings of the Company and all classes of shares of the Company.

DIRECTORS' FEES AND EXPENSES

80. The Directors may receive such remuneration as the Board may from time to time determine. The Directors may be entitled to be repaid all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.

81. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.

ALTERNATE DIRECTOR

82. Any Director may in writing appoint another person to be his alternate to act in his place at any meeting of the Directors at which he is unable to be present. Every such alternate shall be entitled to notice of meetings of the Directors and to attend and vote thereat as a Director when the person appointing him is not personally present and where he is a Director to have a separate vote on behalf of the Director he is representing in addition to his own vote. A Director may at any time in writing revoke the appointment of an alternate appointed by him. Such alternate shall be deemed for all purposes to be a Director and shall not be deemed to be the agent of the Director appointing him. An alternate Director shall cease to be an alternate Director if his appointor ceases to be a Director.

83. Any Director may appoint any person, whether or not a Director, to be the proxy of that Director to attend and vote on his behalf, in accordance with instructions given by that Director, or in the absence of such instructions at the discretion of the proxy, at a meeting or meetings of the Directors which that Director is unable to attend personally. The instrument appointing the proxy shall be in writing under the hand of the appointing Director and shall be in any usual or common form or such other form as the Directors may approve, and must be lodged with the Chairman at which such proxy is to be used, or first used, prior to the commencement of the meeting.

POWERS AND DUTIES OF DIRECTORS

84. Subject to the provisions of the Companies Law, these Articles and to any resolutions made in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution made by the Company in a general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been made.

85. Subject to these Articles, the Directors may from time to time appoint any person, whether or not a Director of the Company, to hold such office in the Company as the Directors may think necessary for the administration of the Company, including without prejudice to the foregoing

---

generality, the office of the Chief Executive Officer and Chief Financial Officer, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. Notwithstanding the foregoing, the Chief Executive Officer may from time to time appoint any person, whether a Director of the Company, to hold such offices other than Chief Executive Officer or Chief Financial Officer as he may think necessary, including without prejudice to the foregoing generality, the office of one or more Vice Presidents, Chief Operating Officer, Chief Technology Officer, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Chief Executive Officer may think fit. The Directors may also appoint one or more of their body (but not an alternate Director) to the office of Managing Director upon like terms, but any such appointment shall ipso facto determine if any Managing Director ceases from any cause to be a Director, or if the Company by Ordinary Resolution resolves that his tenure of office be terminated.

86. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.

87. The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorize any such attorney to delegate all or any of the powers, authorities and discretion vested in him.

88. The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the following paragraphs shall be without prejudice to the general powers conferred by this paragraph.

89. The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any of the aforesaid.

90. The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

91. Any such delegates as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities, and discretions for the time being vested to them.

92. Notwithstanding the above, all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party may only be carried out jointly by the Chief Executive Officer and Chief Financial Officer.

DISQUALIFICATION OF DIRECTORS

93. Notwithstanding anything in these Articles, the office of Director shall be vacated, if the Director:

(a) dies, becomes bankrupt or makes any arrangement or composition with his creditors;

(b) is found to be or becomes of unsound mind;

(c) resigns his office by notice in writing to the Company; or

(d) shall be removed from office pursuant to Article 77.

PROCEEDINGS OF DIRECTORS

94. The Directors may meet together (whether within or outside the Cayman Islands) for the dispatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit.

95. A Director may at any time summon a meeting of the Directors by prior notice to every other Director and alternate Director.

96. Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director verbally (in person or by telephone) or otherwise communicated or sent to such Director by post, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible form at such Director's last known address or any other address given by such Director to the Company for this purpose.

97. A Director or Directors may participate in any meeting of the Board of Directors, or of any committee appointed by the Board of Directors of which such Director or Directors are members, by means of conference telephone, video conference or similar communication equipment by way of which all persons participating in such meeting can hear each other and such participation shall be deemed to constitute presence in person at the meeting.

98. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed shall be a simple majority of the Directors then in office (which shall include a Non-Independent Director), provided that a Director and his appointed alternate Director shall be considered only one person for this purpose. A meeting of the Directors at which a quorum is present when the meeting proceeds to business shall be competent to exercise all powers and discretions for the time being exercisable by the Directors. A meeting of the Directors may be held by means of telephone or teleconferencing or any other telecommunications facility provided that all participants are thereby able to communicate immediately by voice with all other participants.

99. If a quorum is not present at a Board meeting within thirty (30) minutes following the time appointed for such board meeting, the relevant meeting shall be adjourned for a period of at least three (3) Business Days and the presence of a majority of the Directors then in office shall constitute a quorum at such adjourned meeting. A meeting of the Directors at which a quorum is present when the meeting proceeds to business shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

100. Questions arising at any meeting of the Directors shall be decided by a simple majority of votes (which shall include the affirmative vote of a Non-Independent Director) and each Director shall be entitled to one (1) vote in deciding matters deliberated at any meeting of the Directors.

---

101. In case of equality of votes, the Chairman shall have a second or casting vote.

102. A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made. A Director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.

103. A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.

104. Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.

105. The Directors shall cause minutes to be made in books or loose-leaf folders provided for the purpose of recording:

(a) all appointments of officers made by the Directors;

(b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and

(c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.

106. When the chairman of a meeting of the Directors signs the minutes of such meeting the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or that there may have been a technical defect in the proceedings.

107. A resolution in writing signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted and when signed, a resolution may consist of several documents each signed by one or more of the Directors.

108. The continuing Directors may act, notwithstanding any vacancy in their body, but if their number is reduced below the number fixed pursuant to these Articles as the necessary quorum

---

of Directors, then the continuing Directors may act only to increase the number or to summon a general meeting of the Company, but for no other purpose.

109. The Board may delegate any of its powers, authorities and discretions to committees, consisting of such Director or Directors and other persons as it thinks fit, and they may, from time to time, revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the Board. A committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.

110. A committee appointed by the Directors may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the chairman shall have a second or casting vote.

111. All acts done by any meeting of the Directors or of a committee of Directors, or by any person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

PRESUMPTION OF ASSENT

112. A Director who is present at a meeting of the Board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the Minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the Chairman or Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

DIVIDENDS, DISTRIBUTIONS AND RESERVE

113. Subject to any rights and restrictions for the time being attached to any class or classes of shares and these Articles, the Directors may from time to time declare dividends (including interim dividends) and other distributions on shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor.

114. Subject to any rights and restrictions for the time being attached to any class or classes of shares and these Articles, the Company by Ordinary Resolution may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

115. The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds be properly applied and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit.

---

116. Any dividend may be paid by cheque or wire transfer to the registered address of the Member or person entitled thereto, or in the case of joint holders, to any one of such joint holders at his registered address or to such person and such address as the Member or person entitled, or such joint holders as the case may be, may direct. Every such cheque shall be made payable to the order of the person to whom it is sent or to the order of such other person as the Member or person entitled, or such joint holders as the case may be, may direct.

117. The Directors when paying dividends to the Members in accordance with the foregoing provisions may make such payment either in cash or in specie.

118. Dividends may be declared and paid out of profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

119. Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as fully paid on the shares, but if and so long as nothing is paid up on any of the shares in the Company dividends may be declared and paid according to the amounts of the shares. No amount paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the share.

120. If several persons are registered as joint holders of any share, any of them may give effectual receipts for any dividend or other moneys payable on or in respect of the share.

121. No dividend shall bear interest against the Company.

BOOK OF ACCOUNTS

122. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.

123. The books of account shall be kept at such place or places as the Directors think fit, and shall always be open to the inspection of the Directors.

124. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorized by the Directors or by the Company by Ordinary Resolution.

125. The accounts relating to the Company's affairs shall be audited in such manner and with such financial year end as may be determined from time to time by the Company by Ordinary Resolution or failing any such determination by the Directors or failing any determination as aforesaid shall not be audited.

ANNUAL RETURNS AND FILINGS

126. The Board shall make the requisite annual returns and any other requisite filings in accordance with the Companies Law.

AUDIT

127. The Directors may appoint an Auditor of the Company who shall hold office until removed from office by a resolution of the Directors and may fix his or their remuneration.

128. Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and Officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.

129. Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an ordinary company, and at the next special meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an exempted company, and at any time during their term of office, upon request of the Directors or any general meeting of the Members.

THE SEAL

130. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of any one or more persons as the Directors may appoint for the purpose and every person as aforesaid shall sign every instrument to which the Seal of the Company is so affixed in their presence.

131. The Company may maintain a facsimile of its Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such person or persons as the Directors shall for this purpose appoint and such person or persons as aforesaid shall sign every instrument to which the facsimile Seal of the Company is so affixed in their presence of and the instrument signed by a Director or the Secretary (or an Assistant Secretary) of the Company or in the presence of any one or more persons as the Directors may appoint for the purpose.

132. Notwithstanding the foregoing, a Director shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

OFFICERS

133. Subject to Article 85, the Company may have Chief Executive Officer, Chief Operating Officer, Chief Technology Officer, Chief Financial Officer and other executive officers as the Directors see fit. The Directors may also from time to time appoint such other officers as they consider necessary, all for such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors from time to time subscribe.

CAPITALISATION OF PROFITS

134. Subject to the Statutes and these Articles, the Board may, with the authority of an Ordinary Resolution:

(a) resolve to capitalise an amount standing to the credit of reserves (including a share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution;

(b) appropriate the sum resolved to be capitalised to the Members in proportion to the nominal amount of shares (whether or not fully paid) held by them respectively and apply that sum on their behalf in or towards:

(i) paying up the amounts (if any) for the time being unpaid on shares held by them respectively; or

(ii) paying up in full unissued shares or debentures of a nominal amount equal to that sum,

and allot the shares or debentures, credited as fully paid, to the Members (or as they may direct) in those proportions, or partly in one way and partly in the other, but the share premium account, the capital redemption reserved and profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued shares to be allotted to Members credited as fully paid;

(c) make any arrangements it thinks fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where shares or debentures become distributable in fractions the Board may deal with the fractions as it thinks fit;

(d) authorise a person to enter (on behalf of all the Members concerned) an agreement with the Company providing for either:

(i) the allotment to the Members respectively, credited as fully paid, of shares or debentures to which they may be entitled on the capitalisation, or

(ii) the payment by the Company on behalf of the Members (by the application of their respective operations of the reserves resolved to be capitalised) of the amounts or part of the amounts remaining unpaid on their existing shares, an agreement made under the authority being effective and binding on all those Members; and

(e) generally do all acts and things required to give effect to the resolution.

NOTICES

135. Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the person entitled to give notice to any Member either personally, by facsimile or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to the Member at his address as appearing in the Register of Members or, to the extent permitted by all applicable laws and regulations, by electronic means by transmitting it to any electronic number or address or website supplied by the Member to the Company or by placing it on the Company's Website. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.

136. Notices posted to addresses outside the Cayman Islands shall be forwarded by prepaid airmail.

---

137. Any Member present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.

138. Any notice or other document, if served by:

(a) post, shall be deemed to have been served five calendar days after the time when the letter containing the same is posted and if served by courier, shall be deemed to have been served five calendar days after the time when the letter containing the same is delivered to the courier (in proving such service it shall be sufficient to prove that the letter containing the notice or document was properly addressed and duly posted or delivered to the courier);

(b) facsimile, shall be deemed to have been served upon confirmation of receipt;

(c) recognised delivery service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service and in proving such service it shall be sufficient to provide that the letter containing the notice or documents was properly addressed and duly posted or delivered to the courier; or

(d) electronic means as provided herein shall be deemed to have been served and delivered on the day following that on which it is successfully transmitted or at such later time as may be prescribed by any applicable laws or regulations.

139. Any notice or document delivered or sent to any Member in accordance with the terms of these Articles shall notwithstanding that such Member be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register of Members as the holder of the share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

140. Notice of every general meeting shall be given to:

(a) all Members who have supplied to the Company an address for the giving of notices to them;

(b) every person entitled to a share in consequence of the death or bankruptcy of a Member, who but for his death or bankruptcy would be entitled to receive notice of the meeting; and

(c) each Director and Alternate Director.

No other person shall be entitled to receive notices of general meetings.

INFORMATION

141. No Member shall be entitled to require discovery of any information in respect of any detail of the Company's trading or any information which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Board would not be in the interests of the members of the Company to communicate to the public.

---

142. The Board shall be entitled to release or disclose any information in its possession, custody or control regarding the Company or its affairs to any of its members including, without limitation, information contained in the Register of Members and transfer books of the Company.

INDEMNITY

143. Every Director (including for the purposes of this Article any Alternate Director appointed pursuant to the provisions of these Articles) and officer of the Company for the time being and from time to time shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him, otherwise than by reason of his own dishonesty, actual fraud or willful default, in connection with the execution or discharge of his duties, powers, authorities or discretions as a Director or officer of the Company, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere.

144. No such Director or officer of the Company shall be liable to the Company for any loss or damage unless such liability arises through the dishonesty, actual fraud or willful neglect of such Director or officer.

FINANCIAL YEAR

145. Unless the Directors otherwise prescribe, the financial year of the Company shall end on December 31st in each year and shall begin on January 1st in each year.

WINDING UP

146. Subject to these Articles, if the Company shall be wound up the liquidator may, with the sanction of an Ordinary Resolution of the Company, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

AMENDMENT OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND NAME OF COMPANY

147. The Company may at any time and from time to time by Special Resolution alter or amend these Articles or the Memorandum of Association of the Company, in whole or in part.

REGISTRATION BY WAY OF CONTINUATION

148. The Company may by Ordinary Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

Exhibit 4.2

Name of Company:
XUNLEI LIMITED

XUNLEI LIMITED

Number:
[cert. no. issued]

Number
[cert. no. issued]

Common Share(s)
-[no. of shares]-

Common Share(s):
-[no. of shares]-

Incorporated under the laws of the Cayman Islands

Share capital is **US$250,000** divided into
1,000,000,000 Common Shares of a par value of **US$0.00025** each

Issued to:
[name of shareholder]

THIS IS TO CERTIFY THAT **[name of shareholder]** is the registered holder of **[no. of shares]** Common Share(s) in the above-named Company subject to the Memorandum and Articles of Association thereof.

Dated

EXECUTED on behalf of the said Company on the day of 2014 by:

Transferred from:

DIRECTOR _____

TRANSFER

I (the Transferor) for the value received

DO HEREBY transfer to (the Transferee) the

shares standing in my name in the

undertaking called **XUNLEI LIMITED**

To hold the same unto the Transferee

Dated

Signed by the Transferor

in the presence of:

_____ _____

Witness Transferor

XUNLEI LIMITED

AND

THE BANK OF NEW YORK MELLON

As Depositary

AND

OWNERS AND HOLDERS OF AMERICAN DEPOSITARY SHARES

Deposit Agreement

Dated as of , 2014

DEPOSIT AGREEMENT

DEPOSIT AGREEMENT dated as of , 2014, among XUNLEI LIMITED, a company incorporated under the laws of the Cayman Islands (herein called the Company), THE BANK OF NEW YORK MELLON, a New York banking corporation (herein called the Depositary), and all Owners and Holders (each as hereinafter defined) from time to time of American Depositary Shares issued hereunder.

W I T N E S S E T H:

WHEREAS, the Company desires to provide, as hereinafter set forth in this Deposit Agreement, for the deposit of Shares (as hereinafter defined) of the Company from time to time with the Depositary or with the Custodian (as hereinafter defined) as agent of the Depositary for the purposes set forth in this Deposit Agreement, for the creation of American Depositary Shares representing the Shares so deposited and for the execution and delivery of American Depositary Receipts evidencing the American Depositary Shares; and

WHEREAS, the American Depositary Receipts are to be substantially in the form of Exhibit A annexed hereto, with appropriate insertions, modifications and omissions, as hereinafter provided in this Deposit Agreement;

NOW, THEREFORE, in consideration of the premises, it is agreed by and between the parties hereto as follows:

ARTICLE 1. DEFINITIONS

The following definitions shall for all purposes, unless otherwise clearly indicated, apply to the respective terms used in this Deposit Agreement:

SECTION 1.01 American Depositary Shares.

The term “American Depositary Shares” shall mean the securities created under this Deposit Agreement representing rights with respect to the Deposited Securities. American Depositary Shares may be certificated securities evidenced by Receipts or uncertificated securities. The form of Receipt annexed as Exhibit A to this Deposit Agreement shall be the prospectus required under the Securities Act of 1933 for sales of both certificated and uncertificated American Depositary Shares. Except for those provisions of this Deposit Agreement that refer specifically to Receipts, all the provisions of this Deposit Agreement shall apply to both certificated and uncertificated American Depositary Shares. Each American Depositary Share shall represent the number of Shares specified in Exhibit A to this Deposit Agreement, until there shall occur a distribution upon Deposited Securities covered by Section 4.03 or a change in Deposited Securities covered by Section 4.08 with respect to which additional American

Depositary Shares are not delivered, and thereafter American Depositary Shares shall represent the amount of Shares or Deposited Securities specified in such Sections.

SECTION 1.02 Commission.

The term “Commission” shall mean the Securities and Exchange Commission of the United States or any successor governmental agency in the United States.

SECTION 1.03 Company.

The term “Company” shall mean Xunlei Limited, a company incorporated under the laws of the Cayman Islands, and its successors.

SECTION 1.04 Custodian.

The term “Custodian” shall mean the principal Hong Kong office of The Hongkong and Shanghai Banking Corporation Limited, as agent of the Depositary for the purposes of this Deposit Agreement, and any other firm or corporation which may hereafter be appointed by the Depositary pursuant to the terms of Section 5.05, as substitute or additional custodian or custodians hereunder, as the context shall require and shall also mean all of them collectively.

SECTION 1.05 Deliver; Surrender.

(a) The term “deliver”, or its noun form, when used with respect to Shares or other Deposited Securities, shall mean (i) book-entry transfer of those Shares or other Deposited Securities to an account maintained by an institution authorized under applicable law to effect transfers of such securities designated by the person entitled to that delivery or (ii) physical transfer of certificates evidencing those Shares or other Deposited Securities registered in the name of, or duly endorsed or accompanied by proper instruments of transfer to, the person entitled to that delivery.

(b) The term “deliver”, or its noun form, when used with respect to American Depositary Shares, shall mean (i) book-entry transfer of American Depositary Shares to an account at DTC designated by the person entitled to such delivery, (ii) registration of American Depositary Shares not evidenced by a Receipt on the books of the Depositary in the name requested by the person entitled to such delivery and mailing to that person of a statement confirming that registration or (iii) if requested by the person entitled to such delivery, delivery at the Corporate Trust Office of the Depositary to the person entitled to such delivery of one or more Receipts evidencing American Depositary Shares registered in the name requested by that person.

(c) The term “surrender”, when used with respect to American Depositary Shares, shall mean (i) one or more book-entry transfers of American

Depositary Shares to the DTC account of the Depositary, (ii) delivery to the Depositary at its Corporate Trust Office of an instruction to surrender American Depositary Shares not evidenced by a Receipt or (iii) surrender to the Depositary at its Corporate Trust Office of one or more Receipts evidencing American Depositary Shares.

SECTION 1.06 Deposit Agreement.

The term “Deposit Agreement” shall mean this Deposit Agreement, as the same may be amended from time to time in accordance with the provisions hereof.

SECTION 1.07 Depositary; Corporate Trust Office.

The term “Depositary” shall mean The Bank of New York Mellon, a New York banking corporation, and any successor as depositary hereunder. The term “Corporate Trust Office”, when used with respect to the Depositary, shall mean the office of the Depositary which at the date of this Deposit Agreement is 101 Barclay Street, New York, New York 10286.

SECTION 1.08 Deposited Securities.

The term “Deposited Securities” as of any time shall mean Shares at such time deposited or deemed to be deposited under this Deposit Agreement, including without limitation Shares that have not been successfully delivered upon surrender of American Depositary Shares, and any and all other securities, property and cash received by the Depositary or the Custodian in respect thereof and at such time held under this Deposit Agreement, subject as to cash to the provisions of Section 4.05.

SECTION 1.09 Dollars.

The term “Dollars” shall mean United States dollars.

SECTION 1.10 DTC.

The term “DTC” shall mean The Depository Trust Company or its successor.

SECTION 1.11 Foreign Registrar.

The term “Foreign Registrar” shall mean the entity that presently carries out the duties of registrar for the Shares or any successor as registrar for the Shares and any other agent of the Company for the transfer and registration of Shares, including without limitation any securities depository for the Shares.

SECTION 1.12 Holder.

The term “Holder” shall mean any person holding a Receipt or a security entitlement or other interest in American Depositary Shares, whether for its own account or for the account of another person, but that is not the Owner of that Receipt or those American Depositary Shares.

SECTION 1.13 Owner.

The term “Owner” shall mean the person in whose name American Depositary Shares are registered on the books of the Depositary maintained for such purpose.

SECTION 1.14 Receipts.

The term “Receipts” shall mean the American Depositary Receipts issued hereunder evidencing certificated American Depositary Shares, as the same may be amended from time to time in accordance with the provisions hereof.

SECTION 1.15 Registrar.

The term “Registrar” shall mean any bank or trust company having an office in the Borough of Manhattan, The City of New York, that is appointed by the Depositary to register American Depositary Shares and transfers of American Depositary Shares as herein provided.

SECTION 1.16 Restricted Securities.

The term “Restricted Securities” shall mean Shares, or American Depositary Shares representing Shares, that are acquired directly or indirectly from the Company or its affiliates (as defined in Rule 144 under the Securities Act of 1933) in a transaction or chain of transactions not involving any public offering, or that are subject to resale limitations under Regulation D under the Securities Act of 1933 or both, or that are owned by an officer, director (or persons performing similar functions) or other affiliate of the Company, or that would otherwise require registration under the Securities Act of 1933 in connection with the offer and sale thereof in the United States, or that are subject to other restrictions on sale or deposit under the laws of the United States or the Cayman Islands, or under a shareholder agreement or the articles of association or similar document of the Company.

SECTION 1.17 Securities Act of 1933.

The term “Securities Act of 1933” shall mean the United States Securities Act of 1933, as from time to time amended.

SECTION 1.18 Shares.

The term “Shares” shall mean common shares of the Company that are validly issued and outstanding and fully paid, nonassessable and that were not issued in violation of any pre-emptive or similar rights of the holders of outstanding securities of the Company; provided, however, that, if there shall occur any change in nominal value, a split-up or consolidation or any other reclassification or, upon the occurrence of an event described in Section 4.8, an exchange or conversion in respect of the Shares of the Company, the term “Shares” shall thereafter also mean the successor securities resulting from such change in nominal value, split-up or consolidation or such other reclassification or such exchange or conversion.

ARTICLE 2. FORM OF RECEIPTS, DEPOSIT OF SHARES, DELIVERY, TRANSFER AND SURRENDER OF AMERICAN DEPOSITARY SHARES

SECTION 2.01 Form of Receipts; Registration and Transferability of American Depositary Shares.

Definitive Receipts shall be substantially in the form set forth in Exhibit A annexed to this Deposit Agreement, with appropriate insertions, modifications and omissions, as hereinafter provided. No Receipt shall be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose, unless such Receipt shall have been (i) executed by the Depositary by the manual signature of a duly authorized officer of the Depositary or (ii) executed by the facsimile signature of a duly authorized officer of the Depositary and countersigned by the manual signature of a duly authorized signatory of the Depositary or a Registrar. The Depositary shall maintain books on which (x) each Receipt so executed and delivered as hereinafter provided and the transfer of each such Receipt shall be registered and (y) all American Depositary Shares delivered as hereinafter provided and all registrations of transfer of American Depositary Shares shall be registered. A Receipt bearing the facsimile signature of a person that was at any time a proper officer of the Depositary shall, subject to the other provisions of this paragraph, bind the Depositary, notwithstanding that such person was not a proper officer of the Depositary on the date of issuance of that Receipt.

The Receipts may be endorsed with or have incorporated in the text thereof such legends or recitals or modifications not inconsistent with the provisions of this Deposit Agreement as may be required by the Depositary or required to comply with any applicable law or regulations thereunder or with the rules and regulations of any securities exchange upon which American Depositary Shares may be listed or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Receipts are subject by reason of the date of issuance of the underlying Deposited Securities or otherwise.

American Depositary Shares evidenced by a Receipt, when properly endorsed or accompanied by proper instruments of transfer, shall be transferable as certificated registered securities under the laws of New York. American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered

securities under the laws of New York. The Depositary, notwithstanding any notice to the contrary, may treat the Owner of American Depositary Shares as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in this Deposit Agreement and for all other purposes, and neither the Depositary nor the Company shall have any obligation or be subject to any liability under this Deposit Agreement to any Holder of American Depositary Shares, but only to the Owner of those American Depositary Shares.

SECTION 2.02 Deposit of Shares.

Subject to the terms and conditions of this Deposit Agreement, Shares or evidence of rights to receive Shares may be deposited by delivery thereof to any Custodian hereunder, accompanied by any appropriate instruments or instructions for transfer, or endorsement, in form satisfactory to the Custodian, together with all such certifications as may be required by the Depositary or the Custodian in accordance with the provisions of this Deposit Agreement, and, if the Depositary requires, together with a written order directing the Depositary to deliver to, or upon the written order of, the person or persons stated in such order, the number of American Depositary Shares representing such deposit.

No Share shall be accepted for deposit unless accompanied by evidence satisfactory to the Depositary that any necessary approval has been granted by any governmental body in each applicable jurisdiction that is then performing the function of the regulation of currency exchange. If required by the Depositary, Shares presented for deposit at any time, whether or not the transfer books of the Company or the Foreign Registrar, if applicable, are closed, shall also be accompanied by an agreement or assignment, or other instrument satisfactory to the Depositary, which will provide for the prompt transfer to the Custodian of any dividend, or right to subscribe for additional Shares or to receive other property which any person in whose name the Shares are or have been recorded may thereafter receive upon or in respect of such deposited Shares, or in lieu thereof, such agreement of indemnity or other agreement as shall be satisfactory to the Depositary.

At the request and risk and expense of any person proposing to deposit Shares, and for the account of such person, the Depositary may receive certificates for Shares to be deposited, together with the other instruments herein specified, for the purpose of forwarding such Share certificates to the Custodian for deposit hereunder.

Upon each delivery to a Custodian of a certificate or certificates for Shares to be deposited hereunder, together with the other documents specified above, such Custodian shall, as soon as transfer and recordation can be accomplished, present such certificate or certificates to the Company or the Foreign Registrar, if applicable, for transfer and recordation of the Shares being deposited in the name of the Depositary or its nominee or such Custodian or its nominee.

Deposited Securities shall be held by the Depositary or by a Custodian for the account and to the order of the Depositary or at such other place or places as the Depositary shall determine.

SECTION 2.03 Delivery of American Depositary Shares.

Upon receipt by any Custodian of any deposit pursuant to Section 2.2 hereunder, together with the other documents required as specified above, such Custodian shall notify the Depositary of such deposit and the person or persons to whom or upon whose written order American Depositary Shares are deliverable in respect thereof and the number of American Depositary Shares to be so delivered. Such notification shall be made by letter or, at the request, risk and expense of the person making the deposit, by cable, telex or facsimile transmission (and in addition, if the transfer books of the Company or the Foreign Registrar, if applicable, are open, the Depositary may in its sole discretion require a proper acknowledgment or other evidence from the Company or the Foreign Registrar that any Deposited Securities have been recorded upon the books of the Company or the Foreign Registrar, if applicable, in the name of the Depositary or its nominee or such Custodian or its nominee). Upon receiving such notice from such Custodian, or upon the receipt of Shares or evidence of the right to receive Shares by the Depositary, the Depositary, subject to the terms and conditions of this Deposit Agreement, shall deliver, to or upon the order of the person or persons entitled thereto, the number of American Depositary Shares issuable in respect of that deposit, but only upon payment to the Depositary of the fees and expenses of the Depositary for the delivery of such American Depositary Shares as provided in Section 5.9, and of all taxes and governmental charges and fees payable in connection with such deposit and the transfer of the Deposited Securities.

SECTION 2.04 Registration of Transfer of American Depositary Shares; Combination and Split-up of Receipts; Interchange of Certificated and Uncertificated American Depositary Shares.

The Depositary, subject to the terms and conditions of this Deposit Agreement, shall register transfers of American Depositary Shares on its transfer books from time to time, upon (i) in the case of certificated American Depositary Shares, surrender of the Receipt evidencing those American Depositary Shares, by the Owner in person or by a duly authorized attorney, properly endorsed or accompanied by proper instruments of transfer or (ii) in the case of uncertificated American Depositary Shares, receipt from the Owner of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10), and, in either case, duly stamped as may be required by the laws of the State of New York and of the United States of America. Thereupon the Depositary shall deliver those American Depositary Shares to or upon the order of the person entitled thereto.

The Depositary, subject to the terms and conditions of this Deposit Agreement, shall upon surrender of a Receipt or Receipts for the purpose of effecting a

split-up or combination of such Receipt or Receipts, execute and deliver a new Receipt or Receipts for any authorized number of American Depositary Shares requested, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered.

The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the owner of the same number of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and deliver to the Owner the same number of certificated American Depositary Shares.

The Depositary may appoint one or more co-transfer agents for the purpose of effecting registration of transfers of American Depositary Shares and combinations and split-ups of Receipts at designated transfer offices on behalf of the Depositary. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by Owners or persons entitled to American Depositary Shares and will be entitled to protection and indemnity to the same extent as the Depositary.

SECTION 2.05 Surrender of American Depositary Shares and Withdrawal of Deposited Securities.

Upon surrender at the Corporate Trust Office of the Depositary of American Depositary Shares for the purpose of withdrawal of the Deposited Securities represented thereby, and upon payment of the fee of the Depositary for the surrender of American Depositary Shares as provided in Section 5.09 and payment of all taxes and governmental charges payable in connection with such surrender and withdrawal of the Deposited Securities, and subject to the terms and conditions of this Deposit Agreement, the Owner of those American Depositary Shares shall be entitled to delivery, to him or as instructed, of the amount of Deposited Securities at the time represented by those American Depositary Shares. Such delivery shall be made, as hereinafter provided, without unreasonable delay.

A Receipt surrendered for such purposes may be required by the Depositary to be properly endorsed in blank or accompanied by proper instruments of transfer in blank. The Depositary may require the surrendering Owner to execute and deliver to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be delivered to or upon the written order of a person or persons designated in such order. Thereupon the Depositary shall direct the Custodian to deliver at the office of such Custodian, subject to Sections 2.06, 3.01 and 3.02 and to the

other terms and conditions of this Deposit Agreement, to or upon the written order of the person or persons designated in the order delivered to the Depositary as above provided, the amount of Deposited Securities represented by the surrendered American Depositary Shares, except that the Depositary may make delivery to such person or persons at the Corporate Trust Office of the Depositary of any dividends or distributions with respect to the Deposited Securities represented by those American Depositary Shares, or of any proceeds of sale of any dividends, distributions or rights, which may at the time be held by the Depositary.

At the request, risk and expense of any Owner so surrendering American Depositary Shares, and for the account of such Owner, the Depositary shall direct the Custodian to forward any cash or other property (other than rights) comprising, and forward a certificate or certificates, if applicable, and other proper documents of title for, the Deposited Securities represented by the surrendered American Depositary Shares to the Depositary for delivery at the Corporate Trust Office of the Depositary. Such direction shall be given by letter or, at the request, risk and expense of such Owner, by cable, telex or facsimile transmission.

SECTION 2.06 Limitations on Delivery, Transfer and Surrender of American Depositary Shares.

As a condition precedent to the delivery, registration of transfer or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depositary, Custodian or Registrar may require payment from the depositor of Shares or the presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as herein provided, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of this Deposit Agreement, including, without limitation, this Section 2.6.

The delivery of American Depositary Shares against deposit of Shares generally or against deposit of particular Shares may be suspended, or the transfer of American Depositary Shares in particular instances may be refused, or the registration of transfer of outstanding American Depositary Shares generally may be suspended, during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of this Deposit Agreement, or for any other reason, subject to the provisions of the following sentence. Notwithstanding anything to

the contrary in this Deposit Agreement, the surrender of outstanding American Depositary Shares and withdrawal of Deposited Securities may not be suspended subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the Foreign Registrar, if applicable, or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities. Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under this Deposit Agreement any Shares which would be required to be registered under the provisions of the Securities Act of 1933 for public offer and sale in the United States unless a registration statement is in effect as to such Shares for such offer and sale.

SECTION 2.07 Lost Receipts, etc.

In case any Receipt shall be mutilated, destroyed, lost or stolen, the Depositary shall deliver to the Owner the American Depositary Shares evidenced by that Receipt in uncertificated form or, if requested by the Owner, execute and deliver a new Receipt of like tenor in exchange and substitution for such mutilated Receipt, upon cancellation thereof, or in lieu of and in substitution for such destroyed, lost or stolen Receipt. Before the Depositary shall deliver American Depositary Shares in uncertificated form or execute and deliver a new Receipt, in substitution for a destroyed, lost or stolen Receipt, the Owner thereof shall have (a) filed with the Depositary (i) a request for such execution and delivery before the Depositary has notice that the Receipt has been acquired by a bona fide purchaser and (ii) a sufficient indemnity bond and (b) satisfied any other reasonable requirements imposed by the Depositary.

SECTION 2.08 Cancellation and Destruction of Surrendered Receipts.

All Receipts surrendered to the Depositary shall be cancelled by the Depositary. The Depositary is authorized to destroy Receipts so cancelled.

SECTION 2.09 Pre-Release of American Depositary Shares.

Notwithstanding Section 2.03 hereof, unless requested in writing by the Company to cease doing so, the Depositary may deliver American Depositary Shares prior to the receipt of Shares pursuant to Section 2.02 (a "Pre-Release"). The Depositary may, pursuant to Section 2.5, deliver Shares upon the surrender of American Depositary Shares that have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such American Depositary Shares have been Pre-Released. The Depositary may receive American Depositary Shares in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom American Depositary Shares or Shares are to be delivered, that such person, or its customer, owns the Shares or American Depositary Shares to be remitted, as the case may be, (b) at all

times fully collateralized with cash or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days' notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of Shares represented by American Depositary Shares which are outstanding at any time as a result of Pre-Release will not normally exceed thirty percent (30%) of the Shares deposited hereunder; provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate.

The Depositary may retain for its own account any compensation received by it in connection with the foregoing.

SECTION 2.10 DTC Direct Registration System and Profile Modification System.

(a) Notwithstanding the provisions of Section 2.04, the parties acknowledge that the Direct Registration System ("DRS") and Profile Modification System ("Profile") shall apply to uncertificated American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the Depositary may register the ownership of uncertificated American Depositary Shares, which ownership shall be evidenced by periodic statements issued by the Depositary to the Owners entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an Owner of American Depositary Shares, to direct the Depositary to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the Owner to register such transfer.

(b) In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties understand that the Depositary will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an Owner in requesting a registration of transfer and delivery as described in subsection (a) has the actual authority to act on behalf of the Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.03 and 5.08 shall apply to the matters arising from the use of the DRS. The parties agree that the Depositary's reliance on and compliance with instructions received by the Depositary through the DRS/Profile System and in accordance with this Deposit Agreement shall not constitute negligence or bad faith on the part of the Depositary.

SECTION 2.11 Records of the Depositary.

The Depositary agrees to maintain or cause its agents to maintain records of all Receipts surrendered and Deposited Securities withdrawn under Section 2.05, substitute Receipts delivered under Section 2.07 and canceled or destroyed Receipts

under Section 2.08, in each case in keeping with the procedures ordinarily followed by stock transfer agents in the United States or as required by the laws or regulations governing the Depositary.

ARTICLE 3. CERTAIN OBLIGATIONS OF OWNERS AND HOLDERS OF AMERICAN DEPOSITARY SHARES

SECTION 3.01 Filing Proofs, Certificates and Other Information.

Any person presenting Shares for deposit or any Owner or Holder may be required from time to time to file with the Depositary or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depositary may deem necessary or proper. The Depositary may withhold the delivery or registration of transfer of American Depositary Shares or the distribution of any dividend or sale or distribution of rights or of the proceeds thereof or the delivery of any Deposited Securities until such proof or other information is filed or such certificates are executed or such representations and warranties made. The Depositary shall provide the Company, upon the Company's written request and at the Company's expense, as promptly as practicable, with copies of any information or other materials which it receives pursuant to this Section 3.01, to the extent that disclosure is permitted under applicable law.

SECTION 3.02 Liability of Owner for Taxes.

If any tax or other governmental charge shall become payable by the Custodian or the Depositary with respect to any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares, such tax or other governmental charge shall be payable by the Owner of such American Depositary Shares to the Depositary. The Depositary may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until such payment is made, and may withhold any dividends or other distributions, or may sell for the account of the Owner thereof any part or all of the Deposited Securities represented by those American Depositary Shares, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge and the Owner of such American Depositary Shares shall remain liable for any deficiency.

SECTION 3.03 Warranties on Deposit of Shares.

Every person depositing Shares under this Deposit Agreement shall be deemed thereby to represent and warrant that such Shares and each certificate therefor, if applicable, are validly issued, fully paid, nonassessable and free of any preemptive rights of the holders of outstanding Shares and that the person making such deposit is duly authorized so to do. Every such person shall also be deemed to represent that the deposit

of such Shares and the sale of American Depositary Shares representing such Shares by that person are not restricted under the Securities Act of 1933. Such representations and warranties shall survive the deposit of Shares and delivery of American Depositary Shares.

SECTION 3.4 Disclosure of Interests.

The Company may from time to time request Owners to provide information as to the capacity in which such Owners own or owned American Depositary Shares and regarding the identity of any other persons then or previously interested in such American Depositary Shares and the nature of such interest. Each Owner agrees to provide any information requested by the Company or the Depositary pursuant to this Section 3.04. The Depositary agrees to comply with reasonable written instructions received from the Company requesting that the Depositary forward any such requests to the Owners and to forward to the Company any such responses to such requests received by the Depositary. The Depositary shall provide reasonable assistance to the Company, at the Company's request and expense, in obtaining information sought by the Company pursuant to this Section 3.04.

ARTICLE 4. THE DEPOSITED SECURITIES

SECTION 4.01 Cash Distributions.

Whenever the Depositary shall receive any cash dividend or other cash distribution on any Deposited Securities, the Depositary shall, subject to the provisions of Section 4.05, convert such dividend or distribution into Dollars and shall distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Section 5.09) to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively; provided, however, that in the event that the Custodian or the Depositary shall be required to withhold and does withhold from such cash dividend or such other cash distribution an amount on account of taxes or other governmental charges, the amount distributed to the Owner of the American Depositary Shares representing such Deposited Securities shall be reduced accordingly. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Owner a fraction of one cent. Any such fractional amounts shall be rounded to the nearest whole cent and so distributed to Owners entitled thereto. The Company or its agent will remit to the appropriate governmental agencies in the Cayman Islands and the People's Republic of China all amounts withheld and owing to such agency. The Depositary will forward to the Company or its agent such information from its records as the Company may reasonably request to enable the Company or its agent to file necessary reports with governmental agencies.

SECTION 4.02 Distributions Other Than Cash, Shares or Rights.

Subject to the provisions of Sections 4.11 and 5.09, whenever the Depositary shall receive any distribution other than a distribution described in Section 4.01, 4.03 or 4.04, the Depositary shall cause the securities or property received by it to be distributed to the Owners entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary or any taxes or other governmental charges, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, in any manner that the Depositary may deem equitable and practicable for accomplishing such distribution; provided, however, that if in the opinion of the Depositary such distribution cannot be made proportionately among the Owners entitled thereto, or if for any other reason (including, but not limited to, any requirement that the Company or the Depositary withhold an amount on account of taxes or other governmental charges or that such securities must be registered under the Securities Act of 1933 in order to be distributed to Owners or Holders) the Depositary deems such distribution not to be feasible, the Depositary may adopt such method as it may deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Section 5.09) shall be distributed by the Depositary to the Owners entitled thereto, all in the manner and subject to the conditions described in Section 4.01. The Depositary may withhold any distribution of securities under this Section 4.02 if it has not received reasonably satisfactory assurances from the Company that the distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or private sale, an amount of securities or other property it would otherwise distribute under this Section 4.02 that is sufficient to pay its fees and expenses in respect of that distribution.

SECTION 4.03 Distributions in Shares.

If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Shares, the Depositary may, and shall if the Company requests so in writing, deliver to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, an aggregate number of American Depositary Shares representing the amount of Shares

received as such dividend or free distribution, subject to the terms and conditions of this Deposit Agreement with respect to the deposit of Shares and issuance of American Depositary Shares, including the withholding of any tax or other governmental charge as provided in Section 4.11 and the payment of the fees and expenses of the Depositary as provided in Section 5.09 (and the Depositary may sell, by public or private sale, an amount of the Shares received sufficient to pay its fees and expenses in respect of that distribution). The Depositary may withhold any such delivery of American Depositary Shares if it has not received reasonably satisfactory assurances from the Company that such distribution does not require registration under the Securities Act of 1933. In lieu of delivering fractional American Depositary Shares in any such case, the Depositary shall use reasonable efforts to sell the amount of Shares represented

by the aggregate of such fractions (or American Depositary Shares representing those Shares) and distribute the net proceeds, all in the manner and subject to the conditions described in Section 4.01. If additional American Depositary Shares are not so delivered, each American Depositary Share shall thenceforth also represent the additional Shares distributed upon the Deposited Securities represented thereby.

SECTION 4.04 Rights.

In the event that the Company shall offer or cause to be offered to the holders of any Deposited Securities any rights to subscribe for additional Shares or any rights of any other nature, the Depositary shall have discretion as to the procedure to be followed in making such rights available to any Owners or in disposing of such rights on behalf of any Owners and making the net proceeds available to such Owners or, if by the terms of such rights offering or for any other reason, the Depositary may not either make such rights available to any Owners or dispose of such rights and make the net proceeds available to such Owners, then the Depositary shall allow the rights to lapse. If at the time of the offering of any rights the Depositary determines in its discretion that it is lawful and feasible to make such rights available to all or certain Owners but not to other Owners, the Depositary may distribute to any Owner to whom it determines the distribution to be lawful and feasible, in proportion to the number of American Depositary Shares held by such Owner, warrants or other instruments therefor in such form as it deems appropriate.

In circumstances in which rights would otherwise not be distributed, if an Owner requests the distribution of warrants or other instruments in order to exercise the rights allocable to the American Depositary Shares of such Owner hereunder, the Depositary will make such rights available to such Owner upon written notice from the Company to the Depositary that (a) the Company has elected in its sole discretion to permit such rights to be exercised and (b) such Owner has executed such documents as the Company has determined in its sole discretion are reasonably required under applicable law.

If the Depositary has distributed warrants or other instruments for rights to all or certain Owners, then upon instruction from such an Owner pursuant to such warrants or other instruments to the Depositary from such Owner to exercise such rights, upon payment by such Owner to the Depositary for the account of such Owner of an amount equal to the purchase price of the Shares to be received upon the exercise of the rights, and upon payment of the fees and expenses of the Depositary and any other charges as set forth in such warrants or other instruments, the Depositary shall, on behalf of such Owner, exercise the rights and purchase the Shares, and the Company shall cause the Shares so purchased to be delivered to the Depositary on behalf of such Owner. As agent for such Owner, the Depositary will cause the Shares so purchased to be deposited pursuant to Section 2.02 of this Deposit Agreement, and shall, pursuant to Section 2.03 of this Deposit Agreement, deliver American Depositary Shares to such Owner. In the case

of a distribution pursuant to the second paragraph of this Section, such deposit shall be made, and depositary shares shall be delivered, under depositary arrangements which provide for issuance of depositary shares subject to the appropriate restrictions on sale, deposit, cancellation, and transfer under applicable United States laws.

If the Depositary determines in its discretion that it is not lawful and feasible to make such rights available to all or certain Owners, it may sell the rights, warrants or other instruments in proportion to the number of American Depositary Shares held by the Owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of such sales (net of the fees and expenses of the Depositary as provided in Section 5.09 and all taxes and governmental charges payable in connection with such rights and subject to the terms and conditions of this Deposit Agreement) for the account of such Owners otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depositary Shares or otherwise.

The Depositary will not offer rights to Owners unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act of 1933 with respect to a distribution to all Owners or are registered under the provisions of such Act; provided, that nothing in this Deposit Agreement shall create any obligation on the part of the Company to file a registration statement with respect to such rights or underlying securities or to endeavor to have such a registration statement declared effective. If an Owner requests the distribution of warrants or other instruments, notwithstanding that there has been no such registration under the Securities Act of 1933, the Depositary shall not effect such distribution unless it has received an opinion from recognized counsel in the United States for the Company upon which the Depositary may rely that such distribution to such Owner is exempt from such registration; provided, however, that the Company will have no obligation to cause its counsel to issue such opinion at the request at such Owner.

The Depositary shall not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Owners in general or any Owner in particular.

SECTION 4.05 Conversion of Foreign Currency.

Whenever the Depositary or the Custodian shall receive foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the judgment of the Depositary be converted on a reasonable basis into Dollars and the resulting Dollars transferred to the United States, the Depositary shall convert or cause to be converted by sale or in any other manner that it may determine such foreign currency into Dollars, and such Dollars shall be distributed to the Owners entitled thereto or, if the Depositary shall have distributed any warrants or other

instruments which entitle the holders thereof to such Dollars, then to the holders of such warrants and/or instruments upon surrender thereof for cancellation. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Owners on account of exchange restrictions, the date of delivery of any American Depositary Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depositary as provided in Section 5.09.

If such conversion or distribution can be effected only with the approval or license of any government or agency thereof, the Depositary shall file such application for approval or license, if any, as it may deem desirable.

If at any time the Depositary shall determine that in its judgment any foreign currency received by the Depositary or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any approval or license of any government or agency thereof which is required for such conversion is denied or in the opinion of the Depositary is not obtainable, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute the foreign currency (or an appropriate document evidencing the right to receive such foreign currency) received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any such conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make such conversion and distribution in Dollars to the extent permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold such balance uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled thereto.

SECTION 4.06 Fixing of Record Date.

Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or whenever rights shall be issued with respect to the Deposited Securities, or whenever the Depositary shall receive notice of any meeting of holders of Shares or other Deposited Securities, or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary shall find it necessary or convenient, the Depositary shall fix a record date, which shall be the same as, or as near as practicable to, any corresponding record date established by the Company in respect of the Shares or other Deposited Securities, (a) for the determination of the Owners who shall be (i) entitled to receive such dividend, distribution or rights or the net proceeds of the sale thereof, (ii) entitled to give instructions for the exercise of voting rights at any such meeting or (iii) responsible for any fee or charge assessed by the Depositary pursuant to this Deposit Agreement, or (b) on or after which each American Depositary Share will represent the changed number of Shares. Subject to the provisions

of Sections 4.01 through 4.05 and to the other terms and conditions of this Deposit Agreement, the Owners on such record date shall be entitled, as the case may be, to receive the amount distributable by the Depositary with respect to such dividend or other distribution or such rights or the net proceeds of sale thereof in proportion to the number of American Depositary Shares held by them respectively and to give voting instructions and to act in respect of any other such matter.

SECTION 4.07 Voting of Deposited Securities.

Upon receipt of notice of any meeting of holders of Shares or other Deposited Securities, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, mail to the Owners a notice, the form of which notice shall be in the sole discretion of the Depositary, which shall contain (a) such information as is contained in such notice of meeting received by the Depositary from the Company, (b) a statement that the Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Cayman Islands law and of the articles of association or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the amount of Shares or other Deposited Securities represented by their respective American Depositary Shares and (c) a statement as to the manner in which such instructions may be given, including an express indication that instructions may be given or deemed given in accordance with the last sentence of this paragraph if no instruction is received to the Depositary to give a discretionary proxy to a person designated by the Company. Upon the written request of an Owner of American Depositary Shares on such record date, received on or before the date established by the Depositary for such purpose, the Depositary shall endeavor, in so far as practicable, to vote or cause to be voted the amount of Shares or other Deposited Securities represented by those American

Depositary Shares in accordance with the instructions set forth in such request. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the Shares or other Deposited Securities, other than in accordance with such instructions or as provided in the following sentence. If (i) the Company instructed the Depositary to send a notice under this Section 4.07 and has provided the Depositary not less than 30 days' prior notice of the meeting and details of the matters to be voted upon and (ii) no instructions are received by the Depositary from an Owner with respect to an amount of Deposited Securities represented by American Depositary Shares of that Owner on or before the date established by the Depositary for such purpose, the Depositary shall deem that Owner to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to that amount of Deposited Securities and the Depositary shall give a discretionary proxy to a person designated by the Company to vote that amount of Deposited Securities; provided, that no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which the Company informs the Depositary (and the Company agrees to provide such information as promptly as practicable in writing, if applicable) that (x) the Company does not wish to receive a proxy, (y) substantial

opposition exists or (z) such matter materially and adversely affects the rights of holders of Shares.

There can be no assurance that Owners generally or any Owner in particular will receive the notice described in the preceding paragraph sufficiently prior to the instruction cutoff date to ensure that the Depositary will vote the Shares or Deposited Securities in accordance with the provisions set forth in the preceding paragraph.

If the Company will request the Depositary to act under this Section 4.07, the Company shall give the Depositary notice of any such meeting and details concerning the matters to be voted upon as far in advance of the meeting date as practicable.

SECTION 4.08 Changes Affecting Deposited Securities.

Upon any change in nominal value, change in par value, split-up, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting the Company or to which it is a party, or upon the redemption or cancellation by the Company of the Deposited Securities, any securities, cash or property which shall be received by the Depositary or a Custodian in exchange for, in conversion of, in lieu of or in respect of Deposited Securities, shall be treated as new Deposited Securities under this Deposit Agreement, and American Depositary Shares shall thenceforth represent, in addition to the existing Deposited Securities, the right to receive the new Deposited Securities so received, unless additional American Depositary Shares are delivered pursuant to the following sentence. In any such case the Depositary may deliver additional American Depositary Shares as in the case of a dividend in Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new Deposited Securities.

SECTION 4.09 Reports.

The Depositary shall make available for inspection by Owners at its Corporate Trust Office any reports and communications, including any proxy solicitation material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company. The Depositary shall also, upon written request by the Company, send to the Owners copies of such reports when furnished by the Company pursuant to Section 5.06. Any such reports and communications, including any such proxy soliciting material, furnished to the Depositary by the Company shall be furnished in English, to the extent such materials are required to be translated into English pursuant to any regulations of the Commission.

SECTION 4.10 Lists of Owners.

Promptly upon request by the Company, the Depositary shall, at the expense of the Company, furnish to it a list, as of a recent date, of the names, addresses and holdings of American Depositary Shares by all persons in whose names American Depositary Shares are registered on the books of the Depositary.

SECTION 4.11 Withholding.

In the event that the Depositary determines that any distribution in property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge which the Depositary is obligated to withhold, the Depositary may by public or private sale dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay such taxes or charges and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes or charges to the Owners entitled thereto in proportion to the number of American Depositary Shares held by them respectively.

ARTICLE 5. THE DEPOSITARY, THE CUSTODIANS AND THE COMPANY

SECTION 5.01 Maintenance of Office and Transfer Books by the Depositary.

Until termination of this Deposit Agreement in accordance with its terms, the Depositary shall maintain in the Borough of Manhattan, The City of New York, facilities for the execution and delivery, registration, registration of transfers and surrender of American Depositary Shares in accordance with the provisions of this Deposit Agreement.

The Depositary shall keep books, at its Corporate Trust Office, for the registration of American Depositary Shares and transfers of American Depositary Shares which at all reasonable times shall be open for inspection by the Owners, provided that such inspection shall not be for the purpose of communicating with Owners in the interest of a business or object other than the business of the Company or a matter related to this Deposit Agreement or the American Depositary Shares.

The Depositary may close the transfer books, at any time or from time to time, when deemed expedient by it in connection with the performance of its duties hereunder or upon written request of the Company.

If any American Depositary Shares are listed on one or more stock exchanges in the United States, the Depositary shall act as Registrar or appoint a Registrar or one or more co-registrars for registry of such American Depositary Shares in accordance with any requirements of such exchange or exchanges.

SECTION 5.02 Prevention or Delay in Performance by the Depositary or the Company.

Neither the Depositary nor the Company nor any of their respective directors, employees, agents or affiliates shall incur any liability to any Owner or Holder (i) if by reason of any provision of any present or future law or regulation of the United States or any other country, or of any governmental or regulatory authority or stock exchange, or by reason of any provision, present or future, of the articles of association or similar document of the Company, or by reason of any provision of any securities issued or distributed by the Company, or any offering or distribution thereof, or by reason of any act of God or war or terrorism or other circumstances beyond its control, the Depositary or the Company shall be prevented, delayed or forbidden from, or be subject to any civil or criminal penalty on account of, doing or performing any act or thing which by the terms of this Deposit Agreement or the Deposited Securities it is provided shall be done or performed, (ii) by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of this Deposit Agreement it is provided shall or may be done or performed, (iii) by reason of any exercise of, or failure to exercise, any discretion provided for in this Deposit Agreement, (iv) for the inability of any Owner or Holder to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of this Deposit Agreement, made available to Owners or Holders, or (v) for any special, consequential or punitive damages for any breach of the terms of this Deposit Agreement. Where, by the terms of a distribution pursuant to Section 4.01, 4.02 or 4.03, or an offering or distribution pursuant to Section 4.04, or for any other reason, such distribution or offering may not be made available to Owners, and the Depositary may not dispose of such distribution or offering on behalf of such Owners and make the net proceeds available to such Owners, then the Depositary shall not make such distribution or offering, and shall allow any rights, if applicable, to lapse.

SECTION 5.03 Obligations of the Depositary, the Custodian and the Company.

The Company assumes no obligation nor shall it be subject to any liability under this Deposit Agreement to any Owner or Holder, except that the Company agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

The Depositary assumes no obligation nor shall it be subject to any liability under this Deposit Agreement to any Owner or Holder (including, without limitation, liability with respect to the validity or worth of the Deposited Securities), except that the Depositary agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

Neither the Depositary nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the American Depositary Shares on behalf of any Owner or Holder or any other person.

Neither the Depositary nor the Company shall be liable for any action or nonaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or any other person believed by it in good faith to be competent to give such advice or information.

The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

The Depositary shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Securities or otherwise, provided that any such acts or omissions are not the direct result of the negligence or bad faith of the Depositary.

The Depositary shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any such vote is cast or the effect of any such vote, provided that any such action or nonaction is in good faith.

No disclaimer of liability under the Securities Act of 1933 is intended by any provision of this Deposit Agreement.

SECTION 5.04 Resignation and Removal of the Depositary.

The Depositary may at any time resign as Depositary hereunder by written notice of its election so to do delivered to the Company, such resignation to take effect upon the appointment of a successor depositary and its acceptance of such appointment as hereinafter provided.

The Depositary may at any time be removed by the Company by 120 days prior written notice of such removal, to become effective upon the later of (i) the 120th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depositary and its acceptance of such appointment as hereinafter provided.

In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its reasonable efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, The City of New York. Every successor depositary shall execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed, shall become fully vested with all the rights, powers, duties and obligations of its predecessor; but such predecessor, nevertheless, upon payment of all sums due it and on

the written request of the Company shall execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder, shall duly assign, transfer and deliver all right, title and interest in the Deposited Securities to such successor and shall deliver to such successor a list of the Owners of all outstanding American Depositary Shares. Any such successor depositary shall promptly mail notice of its appointment to the Owners.

Any corporation into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

SECTION 5.05 The Custodians.

The Custodian shall be subject at all times and in all respects to the directions of the Depositary and shall be responsible solely to it. Any Custodian may resign and be discharged from its duties hereunder by notice of such resignation delivered to the Depositary at least 30 days prior to the date on which such resignation is to become effective. If upon such resignation there shall be no Custodian acting hereunder, the Depositary shall, promptly after receiving such notice, appoint a substitute custodian or custodians, each of which shall thereafter be a Custodian hereunder. The Depositary in its discretion may appoint a substitute or additional custodian or custodians, each of which shall thereafter be one of the Custodians hereunder. Upon demand of the Depositary any Custodian shall deliver such of the Deposited Securities held by it as are requested of it to any other Custodian or such substitute or additional custodian or custodians. Each such substitute or additional custodian shall deliver to the Depositary, forthwith upon its appointment, an acceptance of such appointment satisfactory in form and substance to the Depositary.

Upon the appointment of any successor depositary hereunder, each Custodian then acting hereunder shall forthwith become, without any further act or writing, the agent hereunder of such successor depositary and the appointment of such successor depositary shall in no way impair the authority of each Custodian hereunder; but the successor depositary so appointed shall, nevertheless, on the written request of any Custodian, execute and deliver to such Custodian all such instruments as may be proper to give to such Custodian full and complete power and authority as agent hereunder of such successor depositary.

SECTION 5.06 Notices and Reports.

On or before the first date on which the Company gives notice, by publication or otherwise, of any meeting of holders of Shares or other Deposited Securities, or of any adjourned meeting of such holders, or of the taking of any action in respect of any cash or other distributions or the offering of any rights, the Company agrees to transmit to the Depositary and the Custodian a copy of the notice thereof in the form given or to be given to holders of Shares or other Deposited Securities.

The Company will arrange for the translation into English, if not already in English, to the extent required pursuant to any regulations of the Commission, and the prompt transmittal by the Company to the Depositary and the Custodian of such notices and any other reports and communications which are made generally available by the Company to holders of its Shares. If requested in writing by the Company, the Depositary will arrange for the mailing, at the Company's expense, of copies of such notices, reports and communications to all Owners. The Company will timely provide the Depositary with the quantity of such notices, reports, and communications, as requested by the Depositary from time to time, in order for the Depositary to effect such mailings.

SECTION 5.07 Distribution of Additional Shares, Rights, etc.

If the Company or any affiliate of the Company determines to make any issuance or distribution of (1) additional Shares, (2) rights to subscribe for Shares, (3) securities convertible into Shares, or (4) rights to subscribe for such securities (each a "Distribution"), the Company shall notify the Depositary in writing in English as promptly as practicable and in any event before the Distribution starts and, if requested in writing by the Depositary, the Company shall promptly furnish to the Depositary a written opinion from U.S. counsel for the Company that is reasonably satisfactory to the Depositary, stating whether or not the Distribution requires, or, if made in the United States, would require, registration under the Securities Act of 1933. If, in the opinion of that counsel, the Distribution requires, or, if made in the United States, would require, registration under the Securities Act of 1933, that counsel shall furnish to the Depositary a written opinion as to whether or not there is a registration statement under the Securities Act of 1933 in effect that will cover that Distribution.

The Company agrees with the Depositary that neither the Company nor any company controlled by, controlling or under common control with the Company will at any time deposit any Shares, either originally issued or previously issued and reacquired by the Company or any such affiliate, unless a Registration Statement is in effect as to such Shares under the Securities Act of 1933 or the Company delivers to the Depositary an opinion of United States counsel, reasonably satisfactory to the Depositary, to the effect that, upon deposit, those Shares will be eligible for public resale in the United States without further registration under the Securities Act of 1933.

Notwithstanding anything else in this Deposit Agreement, nothing in this Deposit Agreement shall be deemed to obligate the Company to file any registration statement in respect of any proposed transaction.

SECTION 5.08 Indemnification.

The Company agrees to indemnify the Depositary, its directors, employees, agents and affiliates and any Custodian against, and hold each of them harmless from, any liability or expense (including, but not limited to any reasonable fees

and expenses incurred in seeking, enforcing or collecting such indemnity and the reasonable fees and expenses of counsel) which may arise out of or in connection with (a) any registration with the Commission of American Depositary Shares or Deposited Securities or the offer or sale thereof in the United States or (b) acts performed or omitted, pursuant to the provisions of or in connection with this Deposit Agreement and of the American Depositary Shares, as the same may be amended, modified or supplemented from time to time, (i) by either the Depositary or a Custodian or their respective directors, employees, agents and affiliates, except for any liability or expense arising out of the negligence or bad faith of either of them, or (ii) by the Company or any of its directors, employees, agents and affiliates.

The indemnities contained in the preceding paragraph shall not extend to any liability or expense which arises solely and exclusively out of a Pre-Release (as defined in Section 2.09) of American Depositary Shares pursuant to Section 2.09 and which would not otherwise have arisen had those American Depositary Shares not been the subject of a Pre-Release pursuant to Section 2.09; provided, however, that the indemnities provided in the preceding paragraph shall apply to any such liability or expense (i) to the extent that such liability or expense would have arisen had those American Depositary Shares not been the subject of a Pre-Release, or (ii) which may arise out of any misstatement or alleged misstatement or omission or alleged omission in any registration statement, proxy statement, prospectus (or placement memorandum), or preliminary prospectus (or preliminary placement memorandum) relating to the offer or sale of American Depositary Shares, except to the extent any such liability or expense arises out of (x) information relating to the Depositary or any Custodian (other than the Company), as applicable, furnished in writing and not materially changed or altered by the Company expressly for use in any of the foregoing documents, or, (y) if such information is provided, the failure to state a material fact necessary to make the information provided not misleading.

The Depositary agrees to indemnify the Company, its directors, employees, agents and affiliates and hold them harmless from any liability or expense (including, but not limited to any fees and expenses incurred in seeking, enforcing or collecting such indemnity and the reasonable fees and expenses of counsel) which may arise out of acts performed or omitted by the Depositary or its Custodian or their respective directors, employees, agents and affiliates due to their negligence or bad faith.

SECTION 5.09 Charges of Depositary.

The Company agrees to pay the fees and out-of-pocket expenses of the Depositary and those of any Registrar only in accordance with agreements in writing entered into between the Depositary and the Company from time to time. Except to the extent that the Company is a depositor or Owner hereunder, the Company is not liable for the payment of any of the charges of the Depositary under this Section 5.9.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.03), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable, telex and facsimile transmission expenses as are expressly provided in this Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.05, (5) a fee of $5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 20.3, 4.03 or 4.04 and the surrender of American Depositary Shares pursuant to Section 2.05 or 6.02, (6) a fee of $.05 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to this Deposit Agreement, including, but not limited to Sections 4.01 through 4.04 hereof, (7) a fee for the distribution of securities pursuant to Section 4.02, such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities (for purposes of this clause 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under clause 6, a fee of $.05 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in clause 9 below, (9) any other charges payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents in connection with the servicing of Shares or other Deposited Securities (which charge shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.06 and shall be payable at the sole discretion of the Depositary by billing such Owners for such charge or by deducting such charge from one or more cash dividends or other cash distributions).

The Depositary may collect any of its fees by deduction from any cash distribution payable to Owners that are obligated to pay those fees.

The Depositary, subject to Section 2.09 hereof, may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares.

SECTION 5.10 Retention of Depositary Documents.

The Depositary is authorized to destroy those documents, records, bills and other data compiled during the term of this Deposit Agreement at the times permitted by the laws or regulations governing the Depositary unless the Company requests that

such papers be retained for a longer period or turned over to the Company or to a successor depositary.

SECTION 5.11 Exclusivity.

Subject to Sections 5.04 and 6.02, the Company agrees not to appoint any other depositary for issuance of American or global depositary shares or receipts so long as The Bank of New York Mellon is acting as Depositary hereunder.

SECTION 5.12 List of Restricted Securities Owners.

From time to time, the Company shall provide to the Depositary a list setting forth, to the actual knowledge of the Company, those persons or entities who beneficially own Restricted Securities and the Company shall update that list on a regular basis. The Company agrees to advise in writing each of the persons or entities so listed that such Restricted Securities are ineligible for deposit hereunder. The Depositary may rely on such a list or update but shall not be liable for any action or omission made in reliance thereon.

ARTICLE 6. AMENDMENT AND TERMINATION

SECTION 6.01 Amendment.

The form of the Receipts and any provisions of this Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary without the consent of Owners or Holders in any respect which they may deem necessary or desirable. Any amendment which shall impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or which shall otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of thirty days after notice of such amendment shall have been given to the Owners of outstanding American Depositary Shares. Every Owner and Holder, at the time any amendment so becomes effective, shall be deemed, by continuing to hold such American Depositary Shares or any interest therein, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

SECTION 6.02 Termination.

The Company may at any time terminate this Deposit Agreement by instructing the Depositary to mail a notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date included

in such notice. The Depositary may likewise terminate this Deposit Agreement if at any time 60 days shall have expired after the Depositary delivered to the Company a written resignation notice and if a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.04; in such case the Depositary shall mail a notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date. On and after the date of termination, the Owner of American Depositary Shares will, upon (a) surrender of such American Depositary Shares, (b) payment of the fee of the Depositary for the surrender of American Depositary Shares referred to in Section 2.05, and (c) payment of any applicable taxes or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by those American Depositary Shares. If any American Depositary Shares shall remain outstanding after the date of termination, the Depositary thereafter shall discontinue the registration of transfers of American Depositary Shares, shall suspend the distribution of dividends to the Owners thereof, and shall not give any further notices or perform any further acts under this Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights and other property as provided in this Deposit Agreement, and shall continue to deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, upon surrender of American Depositary Shares (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of this Deposit Agreement, and any applicable taxes or governmental charges).

At any time after the expiration of four months from the date of termination, the Depositary may sell the Deposited Securities then held under this Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depositary Shares that have not theretofore been surrendered, such Owners thereupon becoming general creditors of the Depositary with respect to such net proceeds. After making such sale, the Depositary shall be discharged from all obligations under this Deposit Agreement, except to account for such net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of this Deposit Agreement, and any applicable taxes or governmental charges. Upon the termination of this Deposit Agreement, the Company shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depositary under Sections 5.08 and 5.09.

ARTICLE 7. MISCELLANEOUS

SECTION 7.01 Counterparts; Signatures

This Deposit Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of such counterparts shall constitute one and the same instrument. Copies of this Deposit Agreement shall be filed with the Depositary and the Custodians and shall be open to inspection by any Owner or Holder during business hours.

Any manual signature on this Deposit Agreement that is faxed, scanned or photocopied, and any electronic signature valid under the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. § 7001, *et. seq*., shall for all purposes have the same validity, legal effect and admissibility in evidence as an original manual signature, and the parties hereby waive any objection to the contrary.

SECTION 7.02 No Third Party Beneficiaries.

This Deposit Agreement is for the exclusive benefit of the parties hereto and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person.

SECTION 7.03 Severability.

In case any one or more of the provisions contained in this Deposit Agreement or in the Receipts should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

SECTION 7.04 Owners and Holders as Parties; Binding Effect.

The Owners and Holders from time to time shall be parties to this Deposit Agreement and shall be bound by all of the terms and conditions hereof and of the Receipts by acceptance of American Depositary Shares or any interest therein.

SECTION 7.05 Notices.

Any and all notices to be given to the Company shall be deemed to have been duly given if personally delivered or sent by mail or cable, telex or facsimile transmission confirmed by letter, addressed to Xunlei Limited, 4/F, Hans Innovation Mansion, North Ring Road, No. 9018 High-Tech Park, Nanshan District, Shenzhen, 518057, People's Republic of China, Attention: Chief Financial Officer, Tao Thomas Wu, or any other place to which the Company may have transferred its principal office with notice to the Depositary.

Any and all notices to be given to the Depositary shall be deemed to have been duly given if in English and personally delivered or sent by mail or cable, telex or facsimile transmission confirmed by letter, addressed to The Bank of New York Mellon, 101 Barclay Street, New York, New York 10286, Attention: American Depositary

Receipt Administration, or any other place to which the Depositary may have transferred its Corporate Trust Office with notice to the Company.

Any and all notices to be given to any Owner shall be deemed to have been duly given if personally delivered or sent by mail or cable, telex or facsimile transmission confirmed by letter, addressed to such Owner at the address of such Owner as it appears on the transfer books for American Depositary Shares of the Depositary, or, if such Owner shall have filed with the Depositary a written request that notices intended for such Owner be mailed to some other address, at the address designated in such request.

Delivery of a notice sent by mail or cable, telex or facsimile transmission shall be deemed to be effected at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a cable, telex or facsimile transmission) is deposited, postage prepaid, in a post-office letter box. The Depositary or the Company may, however, act upon any cable, telex or facsimile transmission received by it, notwithstanding that such cable, telex or facsimile transmission shall not subsequently be confirmed by letter as aforesaid.

SECTION 7.06 Arbitration; Settlement of Disputes.

Any controversy, claim or cause of action brought by any party hereto against the Company arising out of or relating to the Shares or other Deposited Securities, the American Depositary Shares, the Receipts or this Deposit Agreement, or the breach hereof or thereof, if so elected by the claimant, shall be settled by arbitration in accordance with the International Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

The place of the arbitration shall be The City of New York, State of New York, United States of America, and the language of the arbitration shall be English.

The number of arbitrators shall be three, each of whom shall be disinterested in the dispute or controversy, shall have no connection with any party thereto, and shall be an attorney experienced in international securities transactions. Each party shall appoint one arbitrator and the two arbitrators shall select a third arbitrator who shall serve as chairperson of the tribunal. If a dispute, controversy or cause of action shall involve more than two parties, the parties shall attempt to align themselves in two sides (i.e., claimant(s) and respondent(s)), each of which shall appoint one arbitrator as if there were only two parties to such dispute, controversy or cause of action. If such alignment and appointment shall not have occurred within thirty (30) calendar days after the initiating party serves the arbitration demand, the American Arbitration Association shall appoint the three arbitrators, each of whom shall have the qualifications described above. The parties and the American Arbitration Association may appoint from among the nationals of any country, whether or not a party is a national of that country.

The arbitral tribunal shall have no authority to award any consequential, special or punitive damages or other damages not measured by the prevailing party's actual damages and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of this Deposit Agreement.

SECTION 7.07 Submission to Jurisdiction; Appointment of Agent for Service of Process; Jury Trial Waiver.

The Company hereby (i) irrevocably designates and appoints Law Debenture Corporate Services Inc., 400 Madison Avenue, 4th Floor, New York, New York 10017, in the State of New York, as the Company's authorized agent upon which process may be served in any suit or proceeding (including any arbitration proceeding) arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Deposit Agreement, (ii) consents and submits to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agrees that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company agrees to deliver, upon the execution and delivery of this Deposit Agreement, a written acceptance by such agent of its appointment as such agent. The Company further agrees to take any and all action, including the filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment in full force and effect for so long as any American Depositary Shares or Receipts remain outstanding or this Deposit Agreement remains in force. In the event the Company fails to continue such designation and appointment in full force and effect, the Company hereby waives personal service of process upon it and consents that any such service of process may be made by certified or registered mail, return receipt requested, directed to the Company at its address last specified for notices hereunder, and service so made shall be deemed completed five (5) days after the same shall have been so mailed.

EACH PARTY TO THIS DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THIS DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING WITHOUT LIMITATION ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

SECTION 7.08 Waiver of Immunities.

To the extent that the Company or any of its properties, assets or revenues may have or may hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Deposit Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

SECTION 7.09 Governing Law.

This Deposit Agreement and the Receipts shall be interpreted and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by the laws of the State of New York, except with respect to its authorization and execution by the Company, which shall be governed by the laws of the Cayman Islands.

IN WITNESS WHEREOF, XUNLEI LIMITED and THE BANK OF NEW YORK MELLON have duly executed this Deposit Agreement as of the day and year first set forth above and all Owners and Holders shall become parties hereto upon acceptance by them of American Depositary Shares or any interest therein.

XUNLEI LIMITED

By: _____
Name:
Title:

THE BANK OF NEW YORK MELLON,
as Depositary

By: _____
Name:

EXHIBIT A

AMERICAN DEPOSITARY SHARES
(Each American Depositary Share represents
deposited Shares)

THE BANK OF NEW YORK MELLON
AMERICAN DEPOSITARY RECEIPT
FOR COMMON SHARES
OF
XUNLEI LIMITED
(INCORPORATED UNDER THE LAWS OF THE CAYMAN ISLANDS)

The Bank of New York Mellon, as depositary (hereinafter called the "Depositary"), hereby certifies that , or registered assigns IS THE OWNER OF

AMERICAN DEPOSITARY SHARES

representing deposited common shares (herein called "Shares") of Xunlei Limited, incorporated under the laws of the Cayman Islands (herein called the "Company"). At the date hereof, each American Depositary Share represents Shares deposited or subject to deposit under the Deposit Agreement (as such term is hereinafter defined) at the principal Hong Kong office of The Hongkong and Shanghai Banking Corporation Limited (herein called the "Custodian"). The Depositary's Corporate Trust Office is located at a different address than its principal executive office. Its Corporate Trust Office is located at 101 Barclay Street, New York, N.Y. 10286, and its principal executive office is located at One Wall Street, New York, N.Y. 10286.

THE DEPOSITARY'S CORPORATE TRUST OFFICE ADDRESS IS
101 BARCLAY STREET, NEW YORK, N.Y. 10286

1. THE DEPOSIT AGREEMENT.

This American Depositary Receipt is one of an issue (herein called "Receipts"), all issued and to be issued upon the terms and conditions set forth in the deposit agreement, dated as of , 2014 (herein called the "Deposit Agreement"), by and among the Company, the Depositary, and all Owners and Holders from time to time of American Depositary Shares issued thereunder, each of whom by accepting American Depositary Shares agrees to become a party thereto and become bound by all the terms and conditions thereof. The Deposit Agreement sets forth the rights of Owners and Holders and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other securities, property and cash from time to time received in respect of such Shares and held thereunder (such Shares, securities, property, and cash are herein called "Deposited Securities"). Copies of the Deposit Agreement are on file at the Depositary's Corporate Trust Office in New York City and at the office of the Custodian.

The statements made on the face and reverse of this Receipt are summaries of certain provisions of the Deposit Agreement and are qualified by and subject to the detailed provisions of the Deposit Agreement, to which reference is hereby made. Capitalized terms defined in the Deposit Agreement and not defined herein shall have the meanings set forth in the Deposit Agreement.

2. SURRENDER OF RECEIPTS AND WITHDRAWAL OF SHARES.

Upon surrender at the Corporate Trust Office of the Depositary of American Depositary Shares, and upon payment of the fee of the Depositary provided in this Receipt, and subject to the terms and conditions of the Deposit Agreement, the Owner of those American Depositary Shares is entitled to delivery, to him or as instructed, of the amount of Deposited Securities at the time represented by those American Depositary Shares. Delivery of such Deposited Securities may be made by the delivery of (a) certificates or account transfer in the name of the Owner hereof or as ordered by him, with proper endorsement or accompanied by proper instruments or instructions of transfer and (b) any other securities, property and cash to which such Owner is then entitled in respect of this Receipt. Such delivery will be made at the option of the Owner hereof, either at the office of the Custodian or at the Corporate Trust Office of the Depositary, provided that the forwarding of certificates for Shares or other Deposited Securities for such delivery at the Corporate Trust Office of the Depositary shall be at the risk and expense of the Owner hereof.

3. TRANSFERS, SPLIT-UPS, AND COMBINATIONS OF RECEIPTS.

Transfers of American Depositary Shares may be registered on the books of the Depositary by the Owner in person or by a duly authorized attorney, upon surrender of those American Depositary Shares properly endorsed for transfer or accompanied by proper instruments of transfer, in the case of a Receipt, or pursuant to a proper instruction

(including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10 of the Deposit Agreement), in the case of uncertificated American Depositary Shares, and funds sufficient to pay any applicable transfer taxes and the expenses of the Depositary and upon compliance with such regulations, if any, as the Depositary may establish for such purpose. This Receipt may be split into other such Receipts, or may be combined with other such Receipts into one Receipt, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered. The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the Owner of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10 of the Deposit Agreement) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and deliver to the Owner the same number of certificated American Depositary Shares. As a condition precedent to the delivery, registration of transfer, or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depositary, the Custodian, or Registrar may require payment from the depositor of the Shares or the presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as provided in the Deposit Agreement, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of the Deposit Agreement.

The delivery of American Depositary Shares against deposit of Shares generally or against deposit of particular Shares may be suspended, or the transfer of American Depositary Shares in particular instances may be refused, or the registration of transfer of outstanding American Depositary Shares generally may be suspended, during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of the Deposit Agreement, or for any other reason, subject to the provisions of the following sentence. Notwithstanding anything to the contrary in the Deposit Agreement or this Receipt, the surrender of outstanding American Depositary Shares and withdrawal of Deposited Securities may not be suspended subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the Foreign Registrar, if applicable, or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or

governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities. Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under the Deposit Agreement any Shares which would be required to be registered under the provisions of the Securities Act of 1933, unless a registration statement is in effect as to such Shares or such Shares are exempt from registration thereunder.

4. LIABILITY OF OWNER FOR TAXES.

If any tax or other governmental charge shall become payable with respect to any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares, such tax or other governmental charge shall be payable by the Owner to the Depositary. The Depositary may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until such payment is made, and may withhold any dividends or other distributions, or may sell for the account of the Owner any part or all of the Deposited Securities represented by those American Depositary Shares, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge and the Owner shall remain liable for any deficiency.

5. WARRANTIES ON DEPOSIT OF SHARES.

Every person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant, that such Shares and each certificate therefor, if applicable, are validly issued, fully paid, nonassessable and free of any preemptive rights of the holders of outstanding Shares and that the person making such deposit is duly authorized so to do. Every such person shall also be deemed to represent that the deposit of such Shares and the sale of American Depositary Shares representing such Shares by that person are not restricted under the Securities Act of 1933. Such representations and warranties shall survive the deposit of Shares and delivery of American Depositary Shares.

6. FILING PROOFS, CERTIFICATES, AND OTHER INFORMATION.

Any person presenting Shares for deposit or any Owner or Holder may be required from time to time to file with the Depositary or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depositary may deem necessary or proper. The Depositary may withhold the delivery or registration of transfer of any American Depositary Shares or the distribution of any dividend or sale or distribution of rights or of the proceeds thereof or the delivery of any Deposited Securities until such proof or other information is filed or such certificates are executed or such representations and warranties made. No Share shall be accepted for

deposit unless accompanied by evidence satisfactory to the Depositary that any necessary approval has been granted by any governmental body in each applicable jurisdiction that is then performing the function of the regulation of currency exchange.

7. CHARGES OF DEPOSITARY.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.03 of the Deposit Agreement), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals under the terms of the Deposit Agreement, (3) such cable, telex and facsimile transmission expenses as are expressly provided in the Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.05 of the Deposit Agreement, (5) a fee of $5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.03, 4.03 or 4.04 of the Deposit Agreement and the surrender of American Depositary Shares pursuant to Section 2.05 or 6.02 of the Deposit Agreement, (6) a fee of $.05 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to the Deposit Agreement, including, but not limited to Sections 4.01 through 4.04 of the Deposit Agreement, (7) a fee for the distribution of securities pursuant to Section 4.02 of the Deposit Agreement, such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities (for purposes of this clause 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under clause 6, a fee of $.05 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in clause 9 below, and (9) any other charges payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents in connection with the servicing of Shares or other Deposited Securities (which charge shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.06 of the Deposit Agreement and shall be payable at the sole discretion of the Depositary by billing such Owners for such charge or by deducting such charge from one or more cash dividends or other cash distributions).

The Depositary may collect any of its fees by deduction from any cash distribution payable to Owners that are obligated to pay those fees.

The Depositary, subject to Article 8 hereof, may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares.

From time to time, the Depositary may make payments to the Company to reimburse and / or share revenue from the fees collected from Owners or Holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the American Depositary Shares program. In performing its duties under the Deposit Agreement, the Depositary may use brokers, dealers or other service providers that are affiliates of the Depositary and that may earn or share fees and commissions.

8. PRE-RELEASE OF RECEIPTS.

Notwithstanding Section 2.03 of the Deposit Agreement, unless requested in writing by the Company to cease doing so, the Depositary may deliver American Depositary Shares prior to the receipt of Shares pursuant to Section 2.02 of the Deposit Agreement (a "Pre-Release"). The Depositary may, pursuant to Section 2.05 of the Deposit Agreement, deliver Shares upon the surrender of American Depositary Shares that have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such American Depositary Shares have been Pre-Released. The Depositary may receive American Depositary Shares in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom American Depositary Shares or Shares are to be delivered, that such person, or its customer, owns the Shares or American Depositary Shares to be remitted, as the case may be, (b) at all times fully collateralized with cash or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days' notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of American Depositary Shares which are outstanding at any time as a result of Pre-Release will not normally exceed thirty percent (30%) of the Shares deposited under the Deposit Agreement; provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate.

The Depositary may retain for its own account any compensation received by it in connection with the foregoing.

9. TITLE TO RECEIPTS.

It is a condition of this Receipt and every successive Owner and Holder of this Receipt by accepting or holding the same consents and agrees that when properly endorsed or accompanied by proper instruments of transfer, the American Depositary Shares evidenced by this Receipt shall be transferable as certificated registered securities under the laws of New York. American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of New York.

The Depositary, notwithstanding any notice to the contrary, may treat the Owner of American Depositary Shares as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in the Deposit Agreement and for all other purposes, and neither the Depositary nor the Company shall have any obligation or be subject to any liability under the Deposit Agreement to any Holder of American Depositary Shares unless that Holder is the Owner of those American Depositary Shares.

10. VALIDITY OF RECEIPT.

This Receipt shall not be entitled to any benefits under the Deposit Agreement or be valid or obligatory for any purpose, unless this Receipt shall have been (i) executed by the Depositary by the manual signature of a duly authorized officer of the Depositary or (ii) executed by the facsimile signature of a duly authorized officer of the Depositary and countersigned by the manual signature of a duly authorized signatory of the Depositary or a Registrar.

11. REPORTS; INSPECTION OF TRANSFER BOOKS.

The Company is subject to the periodic reporting requirements of the Securities Exchange Act of 1934 and, accordingly, files certain reports with the Securities and Exchange Commission. Those reports will be available for inspection and copying through the Commission's EDGAR system or at public reference facilities maintained by the Commission in Washington, D.C.

The Depositary will make available for inspection by Owners at its Corporate Trust Office any reports, notices and other communications, including any proxy soliciting material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company. The Depositary will also, upon written request by the Company, send to Owners copies of such reports when furnished by the Company pursuant to the Deposit Agreement. Any such reports and communications, including any such proxy soliciting material, furnished to the Depositary by the Company shall be furnished in English to the extent such materials are required to be translated into English pursuant to any regulations of the Commission.

The Depositary will keep books, at its Corporate Trust Office, for the registration of American Depositary Shares and transfers of American Depositary Shares which at all reasonable times shall be open for inspection by the Owners, provided that such inspection shall not be for the purpose of communicating with Owners in the interest of a business or object other than the business of the Company or a matter related to the Deposit Agreement or the American Depositary Shares.

12. DIVIDENDS AND DISTRIBUTIONS.

Whenever the Depositary receives any cash dividend or other cash distribution on any Deposited Securities, the Depositary will, if at the time of receipt thereof any amounts received in a foreign currency can in the judgment of the Depositary be converted on a reasonable basis into United States dollars transferable to the United States, and subject to the Deposit Agreement, convert such dividend or distribution into dollars and will distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.09 of the Deposit Agreement) to the Owners entitled thereto; provided, however, that in the event that the Company or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities an amount on account of taxes or other governmental charges, the amount distributed to the Owners of the American Depositary Shares representing such Deposited Securities shall be reduced accordingly.

Subject to the provisions of Section 4.11 and 5.09 of the Deposit Agreement, whenever the Depositary receives any distribution other than a distribution described in Section 4.01, 4.03 or 4.04 of the Deposit Agreement, the Depositary will cause the securities or property received by it to be distributed to the Owners entitled thereto, in any manner that the Depositary may deem equitable and practicable for accomplishing such distribution; provided, however, that if in the opinion of the Depositary such distribution cannot be made proportionately among the Owners of Receipts entitled thereto, or if for any other reason the Depositary deems such distribution not to be feasible, the Depositary may adopt such method as it may deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.09 of the Deposit Agreement) will be

distributed by the Depositary to the Owners of Receipts entitled thereto all in the manner and subject to the conditions described in Section 4.01 of the Deposit Agreement. The Depositary may withhold any distribution of securities under Section 4.02 of the Deposit Agreement if it has not received reasonably satisfactory assurances from the Company that the distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or private sale, an amount of securities or other property it would otherwise distribute under this Article that is sufficient to pay its fees and expenses in respect of that distribution.

If any distribution consists of a dividend in, or free distribution of, Shares, the Depositary may, and shall if the Company so requests in writing, deliver to the Owners entitled thereto, an aggregate number of American Depositary Shares representing the amount of Shares received as such dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Shares and issuance of American Depositary Shares, including the withholding of any tax or other governmental charge as provided in Section 4.11 of the Deposit Agreement and the payment of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.09 of the Deposit Agreement (and the Depositary may sell, by public or private sale, an amount of

Shares received sufficient to pay its fees and expenses in respect of that distribution. In lieu of delivering fractional American Depositary Shares in any such case, the Depositary will use reasonable efforts to sell the amount of Shares represented by the aggregate of such fractions (or American Depositary Shares representing those Shares) and distribute the net proceeds, all in the manner and subject to the conditions described in Section 4.01of the Deposit Agreement. If additional American Depositary Shares are not so delivered, each American Depositary Share shall thenceforth also represent the additional Shares distributed upon the Deposited Securities represented thereby.

In the event that the Depositary determines that any distribution in property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge which the Depositary is obligated to withhold, the Depositary may by public or private sale dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay any such taxes or charges, and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes or charges to the Owners of Receipts entitled thereto.

13. RIGHTS.

In the event that the Company shall offer or cause to be offered to the holders of any Deposited Securities any rights to subscribe for additional Shares or any rights of any other nature, the Depositary shall have discretion as to the procedure to be followed in making such rights available to any Owners or in disposing of such rights on behalf of any Owners and making the net proceeds available to such Owners or, if by the terms of such rights offering or for any other reason, the Depositary may not either make such rights available to any Owners or dispose of such rights and make the net proceeds available to such Owners, then the Depositary shall allow the rights to lapse. If at the time of the offering of any rights the Depositary determines in its discretion that it is lawful and feasible to make such rights available to all or certain Owners but not to other Owners, the Depositary may distribute to any Owner to whom it determines the distribution to be lawful and feasible, in proportion to the number of American Depositary Shares held by such Owner, warrants or other instruments therefor in such form as it deems appropriate.

In circumstances in which rights would otherwise not be distributed, if an Owner requests the distribution of warrants or other instruments in order to exercise the rights allocable to the American Depositary Shares of such Owner under the Deposit Agreement, the Depositary will make such rights available to such Owner upon written notice from the Company to the Depositary that (a) the Company has elected in its sole discretion to permit such rights to be exercised and (b) such Owner has executed such documents as the Company has determined in its sole discretion are reasonably required under applicable law.

If the Depositary has distributed warrants or other instruments for rights to all or certain Owners, then upon instruction from such an Owner pursuant to such warrants or other instruments to the Depositary from such Owner to exercise such rights, upon payment by such Owner to the Depositary for the account of such Owner of an amount equal to the purchase price of the Shares to be received upon the exercise of the rights, and upon payment of the fees and expenses of the Depositary and any other charges as set forth in such warrants or other instruments, the Depositary shall, on behalf of such Owner, exercise the rights and purchase the Shares, and the Company shall cause the Shares so purchased to be delivered to the Depositary on behalf of such Owner. As agent for such Owner, the Depositary will cause the Shares so purchased to be deposited pursuant to Section 2.02 of the Deposit Agreement, and shall, pursuant to Section 2.03 of the Deposit Agreement, deliver American Depositary Shares to such Owner. In the case of a distribution pursuant to the second paragraph of this Article 13, such deposit shall be made, and depositary shares shall be delivered, under depositary arrangements which provide for issuance of depositary shares subject to the appropriate restrictions on sale, deposit, cancellation, and transfer under applicable United States laws.

If the Depositary determines in its discretion that it is not lawful and feasible to make such rights available to all or certain Owners, it may sell the rights, warrants or other instruments in proportion to the number of American Depositary Shares held by the Owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of such sales (net of the fees and expenses of the Depositary as provided in Section 5.09 of the Deposit Agreement and all taxes and governmental charges payable in connection with such rights and subject to the terms and conditions of the Deposit Agreement) for the account of such Owners otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depositary Shares or otherwise.

The Depositary will not offer rights to Owners unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act of 1933 with respect to a distribution to all Owners or are registered under the provisions of such Act; provided, that nothing in the Deposit Agreement shall create any obligation on the part of the Company to file a registration statement with respect to such rights or underlying securities or to endeavor to have such a registration statement declared effective. If an Owner requests the distribution of warrants or other instruments, notwithstanding that there has been no such registration under the Securities Act of 1933, the Depositary shall not effect such distribution unless it has received an opinion from recognized counsel in the United States for the Company upon which the Depositary may rely that such distribution to such Owner is exempt from such registration.

The Depositary shall not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Owners in general or any Owner in particular.

14. CONVERSION OF FOREIGN CURRENCY.

Whenever the Depositary or the Custodian shall receive foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the judgment of the Depositary be converted on a reasonable basis into Dollars and the resulting Dollars transferred to the United States, the Depositary shall convert or cause to be converted by sale or in any other manner that it may determine, such foreign currency into Dollars, and such Dollars shall be distributed to the Owners entitled thereto or, if the Depositary shall have distributed any warrants or other instruments which entitle the holders thereof to such Dollars, then to the holders of such warrants and/or instruments upon surrender thereof for cancellation. Such distribution may be made upon an averaged or other practicable basis without regard to any distinctions among Owners on account of exchange restrictions, the date of delivery of any American Depositary Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depositary as provided in Section 5.09 of the Deposit Agreement.

If such conversion or distribution can be effected only with the approval or license of any government or agency thereof, the Depositary shall file such application for approval or license, if any, as it may deem desirable.

If at any time the Depositary shall determine that in its judgment any foreign currency received by the Depositary or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any approval or license of any government or agency thereof which is required for such conversion is denied or in the opinion of the Depositary is not obtainable, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary, the Depositary may distribute the foreign currency (or an appropriate document evidencing the right to receive such foreign currency) received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any such conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make such conversion and distribution in Dollars to the extent permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold such balance uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled thereto.

15. RECORD DATES.

Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or whenever rights shall be issued with respect to the Deposited Securities, or whenever the Depositary shall receive notice of any meeting of holders of Shares or other Deposited Securities, or whenever for any

reason the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary shall find it necessary or convenient, the Depositary shall fix a record date, which shall be the same as, or as near as practicable to, any corresponding record date established by the Company in respect of the Shares or other Deposited Securities, (a) for the determination of the Owners who shall be (i) entitled to receive such dividend, distribution or rights or the net proceeds of the sale thereof, (ii) entitled to give instructions for the exercise of voting rights at any such meeting or (iii) responsible for any fee assessed by the Depositary pursuant to the Deposit Agreement, or (b) on or after which each American Depositary Share will represent the changed number of Shares, subject to the provisions of the Deposit Agreement.

16. VOTING OF DEPOSITED SECURITIES.

Upon receipt of notice of any meeting of holders of Shares or other Deposited Securities, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, mail to the Owners of Receipts a notice, the form of which notice shall be in the sole discretion of the Depositary, which shall contain (a) such information as is contained in such notice of meeting received by the Depositary from the Company, (b) a statement that the Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of law and of the articles of association or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the amount of Shares or other Deposited Securities represented by their respective American Depositary Shares and (c) a statement as to the manner in

which such instructions may be given including an express indication that instructions may be given or deemed given in accordance with the last sentence of this paragraph if no instruction is received to the Depositary to give a discretionary proxy to a person designated by the Company. Upon the written request of an Owner of American Depositary Shares on such record date, received on or before the date established by the Depositary for such purpose, the Depositary shall endeavor insofar as practicable to vote or cause to be voted the amount of Shares or other Deposited Securities represented by those American Depositary Shares in accordance with the instructions set forth in such request. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the Shares or other Deposited Securities, other than in accordance with such instructions or as provided in the following sentence. If (i) the Company instructed the Depositary to send a notice under Section 4.07 and has provided the Depositary not less than 30 days' notice of the meeting and details of the matters to be voted upon and (ii) no instructions are received by the Depositary from an Owner with respect to an amount of Deposited Securities represented by American Depositary Shares of that Owner on or before the date established by the Depositary for that purpose, the Depositary shall deem that Owner to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to that amount of Deposited Securities and the Depositary shall give a discretionary proxy to a person designated by the Company to vote that amount of Deposited Securities; provided, that no such instruction shall be

deemed given and no such discretionary proxy shall be given with respect to any matter as to which the Company informs the Depositary (and the Company agrees to provide such information as promptly as practicable in writing, if applicable) that that (x) the Company does not wish to receive a proxy, (y) substantial opposition exists or (z) such matter materially and adversely affects the rights of holders of Shares.

There can be no assurance that Owners generally or any Owner in particular will receive the notice described in the preceding paragraph sufficiently prior to the instruction cutoff date to ensure that the Depositary will vote the Shares or Deposited Securities in accordance with the provisions set forth in the preceding paragraph.

If the Company will request the Depositary to act under Section 4.07 of the Deposit Agreement, the Company shall give the Depositary notice of any such meeting and details concerning the matters to be voted upon as far in advance of the meeting date as practicable.

17. CHANGES AFFECTING DEPOSITED SECURITIES.

Upon any change in nominal value, change in par value, split-up, consolidation, or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation, or sale of assets affecting the Company or to which it is a party, or upon the redemption or cancellation by the Company of the Deposited Securities, any securities, cash or property which shall be received by the Depositary or a Custodian in exchange for, in conversion of, in lieu of or in respect of Deposited Securities shall be treated as new Deposited Securities under the Deposit Agreement, and American Depositary Shares shall thenceforth represent, in addition to the existing Deposited Securities, the right to receive the new Deposited Securities so received, unless additional Receipts are delivered pursuant to the following sentence. In any such case the Depositary may deliver additional American Depositary Shares as in the case of a dividend in Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new Deposited Securities.

18. LIABILITY OF THE COMPANY AND DEPOSITARY.

Neither the Depositary nor the Company nor any of their respective directors, employees, agents or affiliates shall incur any liability to any Owner or Holder, (i) if by reason of any provision of any present or future law or regulation of the United States or any other country, or of any governmental or regulatory authority, or by reason of any provision, present or future, of the articles of association or any similar document of the Company, or by reason of any provision of any securities issued or distributed by the Company, or any offering or distribution thereof, or by reason of any act of God or war or terrorism or other circumstances beyond its control, the Depositary or the Company shall be prevented, delayed or forbidden from or be subject to any civil or criminal penalty on account of doing or performing any act or thing which by the terms of the Deposit Agreement or Deposited Securities it is provided shall be done or

performed, (ii) by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of the Deposit Agreement it is provided shall or may be done or performed, (iii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement, (iv) for the inability of any Owner or Holder to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Owners or Holders, or (v) for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement. Where, by the terms of a distribution pursuant to Section 4.01, 4.02 or 4.03 of the Deposit Agreement, or an offering or distribution pursuant to Section 4.04 of the Deposit Agreement, or for any other reason, such distribution or offering may not be made available to Owners of Receipts, and the Depositary may not dispose of such distribution or offering on behalf of such Owners and make the net proceeds available to such Owners, then the Depositary shall not make such distribution or offering, and shall allow any rights, if applicable, to lapse. Neither the Company nor the Depositary assumes any obligation or shall be subject to any liability under the Deposit Agreement to Owners or Holders, except that they agree to perform their obligations specifically set forth in the Deposit Agreement without negligence or bad faith. The Depositary shall not be subject to any liability with respect to the validity or worth of the Deposited Securities. Neither the Depositary nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit, or other proceeding in respect of any Deposited Securities or in respect of the American Depositary Shares, on behalf of any Owner or Holder or other person. Neither the Depositary nor the Company shall be liable for any action or nonaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or Holder, or any other person believed by it in good faith to be competent to give such advice or information. The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with a matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises, the Depositary performed its obligations without negligence or bad faith while it acted as Depositary. The Depositary shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Securities or otherwise, provided that any such acts or omissions are not the direct result of negligence or bad faith of the Depositary. The Depositary shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities or for the manner in which any such vote is cast or the effect of any such vote, provided that any such action or nonaction is in good faith.

No disclaimer of liability under the Securities Act of 1933 is intended by any provision of the Deposit Agreement.

19. RESIGNATION AND REMOVAL OF THE DEPOSITARY; APPOINTMENT OF SUCCESSOR CUSTODIAN.

The Depositary may at any time resign as Depositary under the Deposit Agreement by written notice of its election so to do delivered to the Company, such resignation to take effect upon the earlier of (i) the appointment of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement or (ii) termination by the Depositary pursuant to Section 6.02 of the Deposit Agreement. The Depositary may at any time be removed by the Company by 120 days prior written notice of such removal, to become effective upon the later of (i) the 120th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary in its discretion may appoint a substitute or additional custodian or custodians.

20. AMENDMENT.

The form of the Receipts and any provisions of the Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary without the consent of Owners or Holders in any respect which they may deem necessary or desirable. Any amendment which shall impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or which shall otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of thirty days after notice of such amendment shall have been given to the Owners of outstanding American Depositary Shares. Every Owner and Holder of American Depositary Shares, at the time any amendment so becomes effective, shall be deemed, by continuing to hold such American Depositary Shares or any interest therein, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

21. TERMINATION OF DEPOSIT AGREEMENT.

The Company may terminate the Deposit Agreement by instructing the Depositary to mail notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date included in such notice. The Depositary may likewise terminate the Deposit Agreement, if at any time 60 days shall have expired after the Depositary delivered to the Company a written resignation notice and if a successor depositary shall not have been appointed and accepted its appointment as provided in the Deposit Agreement; in such case the Depositary shall mail a notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date. On and after the date of termination, the Owner of American Depositary Shares will, upon (a) surrender of

such American Depositary Shares, (b) payment of the fee of the Depositary for the surrender of American Depositary Shares referred to in Section 2.05, and (c) payment of any applicable taxes or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by those American Depositary Shares. If any American Depositary Shares shall remain outstanding after the date of termination, the Depositary thereafter shall discontinue the registration of transfers of American Depositary Shares, shall suspend the distribution of dividends to the Owners thereof, and shall not give any further notices or perform any further acts under the Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights and other property as provided in the Deposit Agreement, and shall continue to deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, upon surrender of American Depositary Shares (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of the Deposit Agreement, and any applicable taxes or governmental charges). At any time after the expiration of four months from the date of termination, the Depositary may sell the Deposited Securities then held under the Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it thereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depositary Shares that have not theretofore been surrendered, such Owners thereupon becoming general creditors of the Depositary with respect to such net proceeds. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement, except to account for such net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of the Deposit Agreement, and any applicable taxes or governmental charges). Upon the termination of the Deposit Agreement, the Company shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depositary with respect to indemnification, charges, and expenses.

22. DTC DIRECT REGISTRATION SYSTEM AND PROFILE MODIFICATION SYSTEM.

(a) Notwithstanding the provisions of Section 2.04 of the Deposit Agreement, the parties acknowledge that the Direct Registration System ("DRS") and Profile Modification System ("Profile") shall apply to uncertificated American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the Depositary may register the ownership of uncertificated American Depositary Shares, which ownership shall be evidenced by periodic statements issued by the Depositary to the Owners entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an Owner, to direct the

Depositary to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the Owner to register such transfer.

(b) In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties understand that the Depositary will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an Owner in requesting registration of transfer and delivery described in subsection (a) has the actual authority to act on behalf of the Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.03 and 5.08 of the Deposit Agreement shall apply to the matters arising from the use of the DRS. The parties agree that the Depositary's reliance on and compliance with instructions received by the Depositary through the DRS/Profile System and in accordance with the Deposit Agreement, shall not constitute negligence or bad faith on the part of the Depositary.

23. ARBITRATION; SETTLEMENT OF DISPUTES.

(a) Any controversy, claim or cause of action brought by any party hereto against the Company arising out of or relating to the Shares or other Deposited Securities, the American Depositary Shares, the Receipts or this Deposit Agreement, or the breach hereof or thereof, if so elected by the claimant, shall be settled by arbitration in accordance with the International Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

(b) The place of the arbitration shall be The City of New York, State of New York, United States of America, and the language of the arbitration shall be English.

(c) The number of arbitrators shall be three, each of whom shall be disinterested in the dispute or controversy, shall have no connection with any party thereto, and shall be an attorney experienced in international securities transactions. Each party shall appoint one arbitrator and the two arbitrators shall select a third arbitrator who shall serve as chairperson of the tribunal. If a dispute, controversy or cause of action shall involve more than two parties, the parties shall attempt to align themselves in two sides (i.e., claimant(s) and respondent(s)), each of which shall appoint one arbitrator as if there were only two parties to such dispute, controversy or cause of action. If such alignment and appointment shall not have occurred within thirty (30) calendar days after the initiating party serves the arbitration demand, the American Arbitration Association shall appoint the three arbitrators, each of whom shall have the qualifications described above. The parties and the American Arbitration Association may appoint from among the nationals of any country, whether or not a party is a national of that country.

(d) The arbitral tribunal shall have no authority to award any consequential, special or punitive damages or other damages not measured by the prevailing party's actual damages and may not, in any event, make any ruling, finding or award that does not conform the terms and conditions of the Deposit Agreement.

24. SUBMISSION TO JURISDICTION; JURY TRIAL WAIVER; WAIVER OF IMMUNITIES.

In the Deposit Agreement, the Company has (i) appointed Law Debenture Corporate Services Inc., 400 Madison Avenue, 4th Floor, New York, New York 10017, in the State of New York, as the Company's authorized agent upon which process may be served in any suit or proceeding (including any arbitration proceeding) arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, (ii) consented and submitted to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agreed that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding.

EACH PARTY TO THE DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) THEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THE DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING WITHOUT LIMITATION ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

To the extent that the Company or any of its properties, assets or revenues may have or hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or the Deposit Agreement, the Company, to the fullest extent permitted by law, hereby

irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

25. DISCLOSURE OF INTERESTS.

The Company may from time to time request Owners to provide information as to the capacity in which such Owners own or owned American Depositary Shares and regarding the identity of any other persons then or previously interested in such American Depositary Shares and the nature of such interest. Each Owner agrees to provide any information requested by the Company or the Depositary pursuant to Section 3.04 of the Deposit Agreement. The Depositary agrees to comply with reasonable written instructions received from the Company requesting that the Depositary forward any such requests to the Owners and to forward to the Company any such responses to such requests received by the Depositary. The Depositary shall provide reasonable assistance to the Company, at the Company's request and expense, in obtaining information sought by the Company pursuant to Section 3.04 of the Deposit Agreement.

XUNLEI LIMITED

SEVENTH AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

THIS SEVENTH AMENDED AND RESTATED SHAREHOLDERS AGREEMENT (this "**Agreement**") is made and entered into as of April 24, 2014 by and among:

(i) Xunlei Limited (formerly known as Giganology Limited), an exempted limited liability company organized under the laws of the Cayman Islands (the "**Company**"),

(ii) Xunlei Network Technologies Limited, a company organized under the laws of the British Virgin Islands (the "**BVI Subsidiary**"),

(iii) Xunlei Network Technologies Limited, a company organized under the laws of Hong Kong (the "**HK Subsidiary**"),

(iv) the entities listed in Schedule A hereto (such entities, together with the BVI Subsidiary, the HK Subsidiary, and all existing and future entities directly or indirectly owned or controlled by the Company, collectively, the "**Subsidiaries**"),

(v) the individuals and their respective solely owned companies set forth in Schedule B (each such individual, a "**Founder**", and collectively, the "**Founders**"; each such entity, a "**Founder Holdco**", and collectively, the "**Founder Holdcos**"),

(vi) Leading Advice Holdings Limited (the "**RS Holdco**"),

(vii) the persons listed in Exhibit A hereto (collectively, the "**Series A Investors**" and each, a "**Series A Investor**"),

(viii) the person(s) listed in Exhibit B hereto (the "**Series A-1 Investor**", and together with the Series A Investors, the "**2005 Investors**"),

(ix) the persons listed in Exhibit C hereto (collectively, the "**Series B Investors**" and each, a "**Series B Investor**"),

(x) the persons listed in Exhibit D hereto (collectively, the "**Series C Investors**" and each, a "**Series C Investor**"),

(xi) the person(s) listed in Exhibit E hereto (the "**Series D Investor**"), and

(xii) the persons listed in Exhibit F hereto (collectively, the "**Series E Investors**" and each, a "**Series E Investor**").

The Series A Investors, Series A-1 Investor, the Series B Investors, the Series C Investors, the Series D Investor and the Series E Investors shall collectively be referred to as the

"**Investors**" and individually be referred to as an "**Investor**". The Subsidiaries and the Company shall collectively be referred to as the "**Group Companies**" and individually be referred to as a "**Group Company**".

For the avoidance of doubt, (i) Skyline Global Company Holdings Limited shall be deemed as a Common Holder only with respect to the Common Shares held by it, and shall be deemed as a Series A Investor only with respect to the Series A Shares held by it, and shall be deemed as a Series A-1 Investor only with respect to the Series A-1 Shares held by it, and shall be deemed as a Series B Investor only with respect to the Series B Shares held by it, and shall be deemed as a Series D Investor only with respect to the Series D Shares held by it, provided, however, that notwithstanding the foregoing, for the purposes of this Agreement, references to all or a portion of the Shares held or purchased by any Series D Investor or Series D Holder (and similar references to the shareholding of any Series D Investor or Series D Holder in the Company without specific reference to any class or series of Shares) shall be deemed to refer to all or a portion of the share capital of the Company, regardless of class or series, held or purchased, as applicable, by such Series D Investor or Series D Holder (other than, solely in connection with Section 10.2, any Series E Shares held or purchased by such Series D Investor or Series D Holder as a result of an exercise of the Primavera New Warrant (as defined in the Share Purchase Agreement dated February 13, 2014, as amended, entered into by and between the Company, the Founders, Xiaomi and other parties thereto (the "**Xiaomi Share Purchase Agreement**")), and references to all or a portion of the Conversion Shares or Co-Sale Shares held by any Series D Investor or Series D Holder (and similar references) shall be construed accordingly; (ii) Morningside Technology Investments Limited shall be deemed as a Series A-1 Investor only with respect to the Series A-1 Shares held by it, and shall be deemed as Series B Investor only with respect to the Series B Shares held by it; (iii) IDG Technology Investment III, L.P. shall be deemed as a Series A Investor only with respect to the Series A Shares held by it, and shall be deemed as Series B Investor only with respect to the Series B Shares held by it. For purposes of this Agreement, unless expressly provided otherwise, a holder of a particular class or series of Shares shall only be deemed as a holder of such class or series of Shares with respect to such class or series of Shares held by it.

RECITALS

A. Pursuant to a Sixth Amended and Restated Shareholders Agreement dated March 5, 2014 by and among the Company, the Founders, the Series A Investor, the Series A-1 Investor, the Series B Investors, the Series C Investors, the Series D Investor, Xiaomi and the parties thereto set forth certain rights of the holders of the Series A-1 Preferred Shares, par value US$0.00025 per share (the "**Series A-1 Shares**"), the Series A Preferred Shares, par value US$0.00025 per share (collectively, the "**Series A Shares**"), the Series B Preferred Shares, par value US$0.00025 per share (the "**Series B Shares**"), the Series C Preferred Shares, par value US$0.00025 per share (the "**Series C Shares**"), the Series D Preferred Shares, par value US$0.00025 per share (the "**Series D Shares**"), and the Series E Preferred Shares, par value US$0.00025 per share (the "**Series E Shares**", and collectively with the Series D Shares, Series C Shares, Series B Shares, Series A-1 Shares and Series A Shares, the "**Preferred Shares**"; and the Preferred Shares together with the common shares of the Company, par value US$0.00025 per share "**Common Shares**", collectively the "**Shares**") with respect to, *inter alia*, certain

consent rights, rights of first refusal, co-sale rights and other matters regarding shareholder rights and the Company (the "**Sixth Restated Shareholders Agreement**").

B. The Company entered into a Share Purchase Agreement dated April 2, 2014 with among others, Kingsoft, Morningside China TMT Special Opportunity Fund, L.P., Morningside China TMT Fund III Co-Investment, L.P. and IDG TVI V (the "**Share Purchase Agreement**"), pursuant to which Kingsoft, Morningside China TMT Special Opportunity Fund, L.P., Morningside China TMT Fund III Co-Investment, L.P. and IDG TVI V have subscribed for 31,939,676 Series E Shares, 3,233,399 Series E Shares, 315,454 Series E Shares and 3,548,853 Series E Shares respectively pursuant to the terms and conditions set forth therein.

C. The parties hereto desire to enter into this Agreement to amend, restate, supersede and replace in its entirety the Sixth Restated Shareholders Agreement.

D. Pursuant to the Sixth Restated Shareholders Agreement, any amendment thereto requires written consent of the Company, the holders of a majority of the Preferred Shares and certain other parties thereto affected by such amendment, and the undersigned parties together satisfy such requirements.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. INFORMATION RIGHTS; RIGHTS OF FIRST NOTICE; BOARD REPRESENTATION; SHAREHOLDER MEETINGS.

1.1 Information and Inspection Rights.

(a) Information Rights. The Company covenants and agrees that, commencing on the date of this Agreement, for (i) with respect to an Investor (other than Ceyuan), so long as such Investor (for this Section 1.1(a), each of Morningside and IDG shall be regarded as one Investor) continues to hold five (5) per cent or more of the Shares (as defined below) in issue on an as converted basis and (ii) with respect to Ceyuan, as long as Ceyuan does not Transfer (as defined in Section 4.3(a) hereof) any of the Shares currently held by it as of the date hereof, except as otherwise provided in Sections 1.1(b) and (c) below, the Company will deliver to each such Investor (other than Bright Access International Limited):

(i) audited annual consolidated financial statements, as soon as practicable but in any event within ninety (90) days after the end of each fiscal year, and audited by a "Big 4" accounting firm chosen by the Company (unless another accounting firm is chosen by the Company in compliance with this Agreement, including with the consent of the holders of at least 75% of Series E Shares);

(ii) unaudited quarterly consolidated and unconsolidated financial statements, as soon as practicable but in any event within forty-five (45) days of the end of each fiscal quarter; and

(iii) an annual comprehensive operating budget, including but not limited to, a forecast of the Company's revenues, expenses, and cash position on a month-to-month basis for the following fiscal year, within thirty (30) days prior to the end of each fiscal year;

provided that for as long as any Investor or any of its Affiliates is a Competitor (as defined below), the Company shall only be obliged to provide the information described in subsection (i) and (ii) above directly to a duly authorized officer within such Investor's finance department, subject to such Investor's undertaking (which shall be deemed to have been given hereunder) that any information received will not be accessed

by any person outside such Investor's financial department and will only be accessed by members of such Investor's finance department on a "need to know" basis for the sole purpose of preparing such Investor's own financial statements and related disclosures and notes.

All financial statements to be provided to the Investors pursuant to this Section 1.1 shall include an income statement, a balance sheet and a cash flow statement for the relevant period as well as for the fiscal year to-date and shall be prepared in conformance with the generally accepted accounting principles of the United States of America ("**US GAAP**") and shall be provided to the Investors contemporaneously with delivery of such financial statements to the Board.

In addition, the Company covenants and agrees that, commencing on the date of this Agreement, the Company will deliver to (i) each Series E Investor, selected key monthly financial and operating data of the Group Companies and such other financial materials requested by such Series E Investor to the extent such financial materials are available; provided that the Company shall no longer deliver such data or materials to such Series E Investor if such Series E Investor or any of its Affiliates becomes a Competitor, and (ii) the Series D Investor, selected key monthly financial and operating data of the Group Companies, *provided* that the Company shall no longer deliver such data to the Series D Investor if the Series D Director holds at least 3% equity interests in, or serves on the board of, a Competing Company. For purposes of this Agreement, a "**Competing Company**" means a Person that is directly or indirectly engaged in the business of providing downloading or online video services, or downloading, online video and storage services provided through cloud technology, and is not an Affiliate of any Group Company, and for the avoidance of doubt, a Person shall not be deemed a Competing Company solely because it is engaged in the business of content resale services or provision of online game services. For purposes of this Agreement, a "**Person**" means an individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company, or other entity of any kind. For purposes of this Agreement, the "**Information Rights**" means the rights set forth in this paragraph and the rights set forth in subsections (a), (b) and (c) of this Section 1.1.

(b) Google's Information Rights. Notwithstanding subsection (a) above, for as long as Google Inc. ("**Google**") holds any Shares, (i) if Google or any Affiliate of Google is not a Competitor, the Company will deliver to Google the financial statements of the Company described in subsections (a)(i) and (a)(ii) above (collectively, the "**Financial Statements**") within the respective time periods described therein; and (ii) if Google or any of its Affiliates is a Competitor, the Company will provide the Financial Statements directly to a duly authorized officer within Google's finance department, subject to Google's undertaking (which shall be

deemed to have been given hereunder) that any information received by Google will not be accessed by any person outside Google's financial department and will only be accessed by members of Google's finance department on a "need to know" basis for the sole purpose of preparing Google's own financial statements and related disclosures and notes. For the purpose of this Agreement, a "**Competitor**" shall, (A) with respect to any Investor other than Google, Xiaomi and Kingsoft, means, in the good faith determination made by the Board of the Directors: (i) any person (either individual, firm, corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, limited liability company, or other entity of any kind) that is directly or indirectly engaged in the business or undertaking of providing VOD/download-centric services in China in competition with the business of the Group Companies or any other activity in competition with the Company in China and is not an Affiliate of any Group Company, and (ii) any shareholder of such persons except for a shareholder holding less than 3% of the outstanding shares of such person; (B) with respect to Google, mean any Person that offers a product or service consisting of a client software tool which uses P2SP (Peer to Servers and Peers) technology, including P2MS (Peer to Multi-Servers) technology and enables users to download multi-media files from third party websites; and (C) with respect to Xiaomi and Kingsoft, mean any Person that offers the core business of (i) the provision of P2SP (Peer to Servers and Peers) or P2P (Peer to Peer) accelerator services (□□P2P□P2SP□□□□□), or (ii) online video services on personal computer (□□□ □□□□□□□□□); provided that such Person shall not be deemed a Competitor if its fair market pre-money valuation is lower than US$100,000,000 or it is a publicly listed company. For greater certainty, (x) none of the products or services currently being offered by Google (or any of its wholly owned subsidiaries, including YouTube, Inc.) or made available on its, or its wholly owned subsidiaries', websites shall cause Google to be considered a Competitor pursuant to the provisions set forth above; and (y) none of the products or services currently being offered by Xiaomi, Kingsoft or their Affiliates shall cause Xiaomi, Kingsoft or their Affiliates to be considered a Competitor pursuant to the provisions set forth above.

(c) Series C Investor's Information Rights. Notwithstanding anything to the contrary, each Series C Investor, for as long as it holds any Shares, shall be entitled to the Information Rights set forth in subsections (a)(i), (a)(ii) and (a)(iii) of this Section 1.1 unless and until such Series C Investor holds more than 3% of capital stock calculated on a fully-diluted basis of any company unaffiliated with the Company which, in the good faith reasonable opinion of the Board (as defined below), competes with the Company in the VOD/downloading business in China or any other activity in competition with the Company in China, in which case such Series C Investor shall lose, except as required by law, rights to non-public information of the Company.

(d) Inspection Rights. The Company further covenants and agrees that, commencing on the date of this Agreement, for (i) with respect to the Series A-1 Investors, Series B Investors (other than Ceyuan), the Series D Investor and the Series E Investors, so long as a Series A-1 Investor or a Series B Investor or the Series D Investor or a Series E Investor (for this Section 1.1(d), each of Morningside and IDG shall be regarded as one Investor) continues to hold five per cent (5%) or more of the Shares in issue on an as converted basis, and (ii) with respect to Ceyuan, as long as Ceyuan does not Transfer any of the Shares currently held by it as of the date hereof, such Investor shall have the right (at its expense) to reasonably inspect facilities, records

and books of the Company and any of its Subsidiaries (including without limitation, each WFOE as defined in Schedule A hereof) at any time during regular working hours on reasonable prior notice to the Company or such Subsidiary, and the right to discuss the business, operation and conditions of the Company and any of its Subsidiaries (including each WFOE) with their respective directors, officers, employees, accountants, legal counsels and investment bankers (the "**Inspection Rights**"); provided, however, that a Group Company shall not be obligated pursuant to this Section 1.1(d) to provide access to any information which it reasonably considers to be a trade secret or similar confidential information (unless covered by an enforceable confidentiality agreement, in form and substance reasonably acceptable to the Company), or would adversely affect the attorney-client privilege between such Group Company and its counsel; provided further, that the Inspection Rights of such Investor under this Section 1.1(d) shall terminate if such Investor or any of its Affiliates becomes a Competitor.

(e) Termination of Rights. The Information Rights pursuant to this Section (including those under subsections (a), (b) and (c)) and Inspection Rights (unless terminated earlier pursuant to subsection (d)) shall terminate upon the earlier of:

(i) the consummation of an initial public offering of the Company, provided that for a period of three (3) years following the consummation of an initial public offering of the Company, the Company shall deliver to each Investor (other than Bright Access International Limited), promptly after filing, copies of the Company's annual reports, interim reports and/or quarterly reports and all other filings required to be made with the United States Securities and Exchange Commission ("**SEC**") or other relevant securities exchange, regulatory authority or governmental agency;

(ii) a Trade Sale (as defined below); or

(iii) a Liquidation Event or Deemed Liquidation Event, as such terms are defined in the Seventh Amended and Restated Memorandum of Association and Sixth Amended and Restated Articles of Association of the Company (the "**Restated Articles**").

1.2 Rights of First Notice.

(a) Definitions.

(i) "**Corporate Event**" shall mean any of the following, whether accomplished through one or a series of related transactions (a) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Company, (b) a transfer or an exclusive licensing of all or substantially all of the intellectual property of the Company, (c) a sale, transfer or other disposition of a majority of the issued and outstanding share capital of the Company or a majority of the voting power of the Company, or (d) a merger, consolidation or other business combination of the Company with or into any other business entity in which the shareholders of the Company immediately prior to such merger, consolidation or business combination hold shares representing less than a majority of the voting power of the outstanding share capital of the surviving business entity immediately thereafter.

(ii) An "**Unsolicited Offer**" means (a) any bona fide offer in writing for a proposed Corporate Event received from a third party in the absence of any act taken by any employee, agent, officer or director of the Company with the intent of soliciting such offer, and (b) any proposal or offer by the Company to such third party or from such third party for a proposed Corporate Event arising from negotiations that followed the receipt of an offer described in clause (a) above. Any bona fide offer for a proposed Corporate Event in writing that is not an Unsolicited Offer shall be deemed a "**Solicited Offer**".

(b) Solicitation of Offers for Corporate Event.

(i) Solicitation Notice. The Company agrees that prior to soliciting any offers for a proposed Corporate Event (a "**Proposed Event**"), the Company will provide Google with five (5) Business Days prior written notice of such intent to solicit offers (a "**Solicitation Notice**"), specifying the terms and conditions of the Proposed Event, including the proposed selling price for the Company or its assets or proposed licensing price or terms in the event of a license of intellectual property of the Company, the proposed structure of the transaction, a list of the persons from whom the Company in good faith intends to solicit such offers, when the Proposed Event involves an acquisition or license of assets, a description of the assets to be sold or licensed, and the other material terms and conditions of the Proposed Event.

(ii) Additional Parties Notice. The Company agrees that prior to soliciting any offers for the consummation of the Proposed Event described in the Solicitation Notice from any parties that were not listed in the Solicitation Notice ("**Additional Parties**"), the Company will provide Google with written notice of such intent to solicit such offers from such Additional Parties.

(iii) Different Terms and Conditions. In the event that the Company proposes to accept or approve a Solicited Offer for the consummation of a Proposed Event on terms and conditions that are not substantially the same as the terms and conditions specified in the last Solicitation Notice, the Company agrees to provide Google with a new Solicitation Notice at least three (3) Business Days prior to accepting or approving such Solicited Offer, which includes the information set forth in Section 1.2(b)(i). Without limiting the generality of the foregoing, a purchase price that is ninety-five percent (95%) or less of the purchase price in the last Solicitation Notice received by Google shall be deemed not to be substantially the same terms and conditions as specified in the last Solicitation Notice.

(c) Unsolicited Offers for Corporate Event.

(i) If the Company receives an Unsolicited Offer from a third party for a proposed Corporate Event (an "**Offered Event**"), the Company agrees that it will provide Google, within three (3) Business Days of receiving such Unsolicited Offer, with detailed written notice of the Offered Event specifying the terms and conditions of the Offered Event including the name of such third party, the proposed purchase price for the

Company or the assets of the Company or proposed licensing price or terms in the event of a license of intellectual property of the Company, the proposed structure of the Offered Event, when the Offered Event involves

an acquisition of assets, a description of the assets to be sold or licensed, and the other material terms and conditions of the Offered Event.

(ii) Notwithstanding anything to the contrary herein, if the Company receives an unwritten unsolicited offer from a third party for an Offered Event and a meeting of the Company's Board of Directors is called to consider such unwritten unsolicited offer, the Company agrees that it will provide Google, at least three (3) Business Days prior to such meeting, with detailed written notice of the Offered Event, which includes the information set forth in Section 1.2(c)(i).

(iii) The Company shall not, without providing Google with prior written notice at least five (5) Business Days in advance, accept or approve the Offered Event or recommend that its shareholders approve the Offered Event.

(d) Termination of Rights. The rights set forth in Sections 1.2(b) and 1.2(c) shall terminate upon the earlier of:

(i) closing of an initial public offering; or

(ii) a Liquidation Event or Deemed Liquidation Event, as such terms are defined in the Restated Articles.

1.3 Board Representation of the Company.

(a) Number of Directors. The Restated Articles shall provide that the Company's Board of Directors (the "**Board**") shall consist of up to nine (9) members, which number of members shall not be changed except pursuant to an amendment to the Restated Articles. Except as set forth in this Section 1.3, the Company shall not increase the size of the Board or grant any rights to appoint observers without the prior written consent of the Investors.

(b) Election of Directors. The Company shall take all action necessary to elect the following candidates as directors:

(i) For as long as Xiaomi continues to hold any Series E Share in issue, Xiaomi shall be entitled to appoint and remove two (2) voting Directors of the Board (the "**Xiaomi Directors**", and each, a "**Xiaomi Director**"). For as long as Xiaomi continues to hold any Series E Share in issue, the number of Directors to be appointed by Xiaomi shall not fall below two (2), and Xiaomi shall have the exclusive right to remove and replace any Xiaomi Director by notice in writing to the Company. For as long as Kingsoft continues to hold any Series E Share in issue, Kingsoft shall be entitled to appoint and remove one (1) voting Director of the Board (the "**Kingsoft Director**"; together with the Xiaomi Directors, the "**Series E Directors**" and each, a "**Series E Director**"). For as long as Kingsoft continues to hold any Series E Share in issue, the number of Directors to be appointed by Kingsoft shall not fall below one (1), and Kingsoft shall have the exclusive right to remove and replace the Kingsoft Director by notice in writing to the Company.

(ii) Prior to the completion of the Company's initial public offering and for as long as the Series D Threshold is met, Primavera shall be entitled to appoint and remove one (1) voting Directors of the Board (the "**Series D Director**"). The number of Directors to be appointed by Primavera shall not fall below one (1), and Primavera shall have the exclusive right to remove and replace the Series D Director by notice in writing to the Company, for as long as the Series D Threshold is met, and shall be obligated to replace the Series D Director if the individual serving as the Series D Director beneficially owns, in the personal investments of such Series D Director, at least 3% equity interests in, or simultaneously serves on the board of, a Competing Company. The Company, the Founders and Primavera shall in good faith explore and enter into potential arrangements that will enable Primavera to nominate a Director to the Board after an initial public offering of the Company and to remove and replace the Director so appointed. For purposes of this Agreement, the "**Series D Threshold**" is met if the fraction, the numerator of which is the aggregate number of Shares Primavera has Transferred (excluding any Transfers to its Permitted Transferees) after the date hereof less the aggregate number of Shares Primavera acquires (whether by subscribing for new Shares through exercise of warrants or otherwise, excluding any Transfers from its Permitted Transferees) after the date hereof, and the denominator of which is 15,616,764, is less than or equal to 36.3%. For purposes of this Agreement, "**Primavera**" means Skyline Global Company Holdings Limited.

(iii) For as long as Morningside continues to hold twelve percent (12%) or more of the Shares in issue, or continues to hold any Series E Share in issue, Morningside shall be entitled to appoint and remove one (1) voting Directors of the Board (the "**Morningside Director**"), who shall initially be Mr. Liu Qin. For as long as Morningside continues to hold twelve percent (12%) or more of the Shares in issue, or continues to hold any Series E Share in issue, the number of Directors to be appointed by Morningside shall not fall below one (1), and Morningside shall have the exclusive right to remove and replace the Morningside Director by notice in writing to the Company. For as long as Morningside continues to hold twelve percent (12%) or more of the Shares in issue, or continues to hold any Series E Share in issue, Morningside shall have the right to appoint and remove one (1) observer of the Board, who may participate in discussions of matters brought before the Board, but shall in all other respects be a nonvoting observer.

(iv) For so long as the Founders together continue to directly or indirectly hold five (5) per cent or more of the Shares in issue, Mr. Zou Shenglong shall be entitled to appoint and remove two (2) voting Directors of the Board (the "**Chair Directors**") and Mr. Cheng Hao shall be entitled to appoint and remove one (1) voting Directors of the Board (together with the Chair Directors, the "**Founder Directors**"), and each Founder shall have the exclusive right to remove and replace any Founder Directors he so appointed by notice in writing to the Company.

(v) For as long as IDG does not Transfer any of the Shares currently held by it as of the date hereof, IDG shall be entitled to appoint and remove one (1) voting Directors of the Board (the "**IDG Director**"), who shall initially be Mr. Zhou Quan. For as long as IDG does not Transfer any of the Shares currently held by it as of the date hereof, the number of

Directors to be appointed by IDG shall not fall below one (1), and IDG shall have the exclusive right to remove and replace the IDG Director by notice in writing to the Company.

provided that, if any Director ("**Defaulting Director**") appointed pursuant to Section 1.3(b)(ii), Section 1.3(b)(iii) or Section 1.3(b)(v) carries on, engages in or is concerned or interested in, directly or indirectly, either as principal or agent or as a shareholder, partner, consultant, advisor, director, officer or employee, or in any other capacity, any activities of any Competitors, or seeks, attempts or threatens to do any of the foregoing, a majority of the holders of the Preferred Shares other than the holders appointing such Defaulting Director shall be entitled to request in writing the Board to, and upon receipt of such request, the Board shall, remove such Defaulting Director by action of the majority of the rest of the Directors appointed to the Board in accordance with the terms of this Section 1.3. The holders of Preferred Shares appointing the Defaulting Director and the Defaulting Director shall abstain from voting on any proposal to remove the Defaulting Director pursuant to the foregoing provision of this Section 1.3;

provided further that, if any Series E Director appointed pursuant to Section 1.3(b)(i) carries on, engages in or is concerned or interested in, directly or indirectly, either as principal or agent or as a shareholder, partner, consultant, advisor, director, officer or employee, or in any other capacity, any activities of any Competitors (as defined with respect to Xiaomi and Kingsoft), or seeks, attempts or threatens to do any of the foregoing, such Series E Director may be excluded from, shall be deemed to abstain from voting on any proposal at, any meeting of the Board for the purpose of discussing any business of any Group Company that may compete with such Competitor.

(c) Quorum. Subject to the provisions in the Restated Articles, a quorum of the Board shall consist of five (5) directors, which shall include at least one (1) Xiaomi Director, the Kingsoft Director, the Morningside Director, the Series D Director and at least one (1) Founder Director.

(d) Board Meetings. The Board shall meet at least once every six (6) months, unless otherwise agreed by a vote of a majority of the Board, including the votes of one (1) Xiaomi Director, the Kingsoft Director, the Series D Director, the Morningside Director and one (1) Founder Director.

(e) Expenses and Insurance. The Company shall reimburse the directors appointed by the holders of Preferred Shares for all reasonable expenses relating to all Board activities, including, without limitation, expenses or fees incurred in relation to attending the Board meetings. The Company shall purchase and at all times maintain director's and officer's indemnity insurance policies for the benefit of the Directors on terms and in amounts approved by the Board.

(f) Indemnity of Directors and Legal Representative. The Company shall indemnify each Director and the Legal Representative of the Group Companies to the greatest extent permissible by applicable law in respect of any liabilities incurred in such capacity as a Director or Legal Representative of the relevant Group Company apart from those arising from gross negligence and willful misconduct. The Company shall enter into an indemnification agreement

with each Director and the Legal Representative of each Subsidiary in the form attached hereto as Exhibit H.

1.4 Board Representation of the Subsidiaries.

(a) The board of directors of each WFOE shall have the same number of directors as the Board, and the Founders and holders of Preferred Shares shall be entitled to appoint the same number of directors to each WFOE as they are entitled to appoint to the Company as provided in Section 1.3 above.

(b) As of the Closing, each of Xiaomi and Kingsoft shall have the right to appoint and remove the same number of directors to the HK Subsidiary, each WFOE and Shenzhen Xunlei as that to the Board.

(c) Upon the request of the holders of at least 75% of Series E Shares, each other Subsidiary shall, and the Company and the Founders shall cause each other Subsidiary to, (i) have a board of directors or similar governing body (the "**Subsidiary Board**"), (ii) maintain the authorized size of each Subsidiary Board at all times same as the authorized size of the Board, and (iii) ensure each Subsidiary Board at all times is

composed of the same persons as directors as those then on the Board.

1.5 Board Representation of Shenzhen Xunlei. Primavera shall be entitled to appoint one (1) director to the board of directors of Shenzhen Xunlei for so long as Primavera is entitled to appoint the Series D Director.

1.6 Board Management. Except as specifically provided herein or by applicable laws, the management and control of the Company and each other Group Company shall be exercised by the Board and the board of directors of the applicable Subsidiary, and the Board shall be responsible for the determination of the Group Companies' overall policies and objects. To the extent that any Subsidiary Board does not consist of the same persons as directors as those then on the Board, the Founders shall procure that each such Subsidiary Board shall be operated solely at the authorization and instruction of the Board.

1.7 Shareholder Meetings.

(a) The Board shall give not less than seven (7) Business Days' (as defined below) notice of meetings of holders of Shares of the Company (the "**Shareholders**") to those persons whose names on the date the notice is given appear as Shareholders in the register of members of the Company and are entitled to vote at the meeting.

(b) The parties hereto agree that no meeting of Shareholders of the Company shall be a quorum unless there are present at a meeting of Shareholders (in person or by proxy) (i) representatives of a minimum of five (5) Shareholders, (ii) a representative of the holders of a majority of the Common Shares held by the Founders, (iii) a representative of the holders of a majority of the Series A-1 Shares, (iv) a representative of the holders of a majority of the Series B Shares, (v) a representative of the holders of a majority of the Series D Shares, (vi) representative(s) of the holders of at least 75% of the Series E Shares, and (vii) the holders of

Shares representing not less than fifty (50) per cent of the voting rights at such meeting; provided that any meeting of Shareholders of the Company shall be carried out in accordance with the provisions set forth in the Restated Articles.

(c) In a meeting of Shareholders of the Company, each Preferred Share shall carry such number of votes as is equal to the number of votes then issuable upon the conversion of such Preferred Shares into Common Shares. Each holder of Common Shares shall have one (1) vote for each Common Share held by such holder. The holders of Preferred Shares and the holders of Common Shares shall vote together and not as a separate class, except as otherwise required by this Agreement or the Restated Articles.

(d) Termination of Rights. The rights set forth in Sections 1.3, 1.4, 1.5, 1.6 and 1.7 shall terminate upon the earlier of:

(i) closing of an initial public offering of the Company; or

(ii) a Liquidation Event or Deemed Liquidation Event, as such terms are defined in the Restated Articles.

2. REGISTRATION RIGHTS.

2.1 Applicability of Rights. The Company covenants and agrees that the Holders (as defined below) shall be entitled to the following rights with respect to any potential public offering of the Company's Shares in the United States and shall be entitled to reasonably analogous or equivalent rights with respect to any other offering of the Company's securities in any other jurisdiction in which the Company undertakes to publicly offer or list such securities for trading on a recognized securities exchange.

2.2 Definitions. For purposes of this Section 2 and to the extent applicable under this Agreement:

(a) Registration. The terms "**register,**" "**registered,**" and "**registration**" refer to a registration effected by filing a registration statement which is in a form which complies with, and is declared effective by the SEC (as defined below) in accordance with, the Securities Act.

(b) Registrable Securities. The term "**Registrable Securities**" shall mean: (i) any Common Shares of the Company issued or issuable upon conversion of any shares of the Preferred Shares (the "**Conversion Shares**") issued under that certain Subscription Agreement dated as of September 16, 2005 between the Company, the Founders and the 2005 Investors (the "**Series A Subscription Agreement**"), the Subscription Agreement dated as of November 15, 2006 between the Group Companies, the Founders and the Series B Investors (other than Fidelity Asia Ventures Fund L.P. and Fidelity Asia Principals Fund L.P. (collectively, "**Fidelity**") and Google) (the "**Series B Subscription Agreement**"), certain Applications for Shares signed by Google on December 9, 2006 and by Fidelity on December 21, 2006, the Subscription Agreement dated as of April 14, 2011 between the Group Companies, the Founders and the Series C Investors (the "**Series C Subscription Agreement**"), the Share Purchase Agreement dated as of January 31, 2012 between the Group Companies, the Founders and the Series D

Investor (the "**Series D Share Purchase Agreement**"), the Xiaomi Share Purchase Agreement and the Share Purchase Agreement respectively, (ii) any Shares issued to the Investors pursuant to the Right of Participation (defined in Section 3 hereof), and (iii) any Common Shares of the Company issued (or issuable upon the conversion or exercise of any warrant, right or other security which is issued) as a dividend or other distribution with respect to, or in exchange for or in replacement of, any Preferred Shares or Common Shares described in clause (i) of this subsection (b); provided that, with respect to any provision under the Section 2.3 below, the "Registrable Securities" shall exclude the Common Shares of the Company issued or issuable upon conversion of the Series C Shares. Notwithstanding the foregoing, "Registrable Securities" shall exclude any Registrable Securities sold by a person in a transaction in which rights under this Section 2 are not assigned in accordance with this Agreement, and any Registrable Securities which are sold in a registered public offering under the Securities Act or analogous statute of another jurisdiction, or sold pursuant to Rule 144 promulgated under the Securities Act or analogous rule of another jurisdiction.

(c) Registrable Securities Then Outstanding. The number of shares of "**Registrable Securities then outstanding**" shall mean the number of Common Shares of the Company that are Registrable Securities and are then issued and outstanding, issuable upon conversion of Preferred Shares then issued and outstanding or issuable upon conversion or exercise of any warrant, right or other security then outstanding.

(d) Holder. For purposes of this Section 2, the term "**Holder**" shall mean any person or persons owning or having the rights to acquire Registrable Securities or any permitted assignee of record of such Registrable Securities to whom rights under this Section 2 have been duly assigned in accordance with this Agreement, however provided that with respect to Section 2.3, the "**Holders**" shall exclude the holders of any Common Shares of the Company issued or issuable upon conversion of any shares of the Preferred Shares under the Series C Subscription Agreement.

(e) Form F-3. The term "**Form F-3**" shall mean such respective form under the Securities Act as is in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(f) SEC. The term "**SEC**" or "**Commission**" shall mean (i) with respect to any offering of securities in the United States, the U.S. Securities and Exchange Commission or any other federal agency at the time administering the Securities Act and (ii) with respect to any offering of securities in a jurisdiction other than the United States, the regulatory body of the jurisdiction with authority to supervise and regulate the sale of securities in that jurisdiction.

(g) Registration Expenses. The term "**Registration Expenses**" shall mean all expenses incurred by the Company in complying with Sections 2.3, 2.4 and 2.5 hereof, including, without limitation, all registration and filing fees, printing expenses, fees, and disbursements of counsel for the Company, reasonable fees and disbursements of one counsel for the Holders, Blue Sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

(h) Selling Expenses. The term "**Selling Expenses**" shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities pursuant to Sections 2.3, 2.4 and 2.5 hereof.

(i) Exchange Act. The term "**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended, and any successor statute.

(j) For purposes of this Agreement, reference to registration of securities under the Securities Act and the Exchange Act shall also be deemed to mean the equivalent registration in a jurisdiction other than the United States as designated by such Holders, it being understood and agreed that in each such case all references in this Agreement to the Securities Act, the Exchange Act and rules, forms of registration statements and registration of securities thereunder, U.S. law and the SEC, shall be deemed to refer, to the equivalent statutes, rules, forms of registration statements, registration of securities and laws of and equivalent government authority in the applicable non-U.S. jurisdiction.

(k) Business Days. The term "**Business Day**" means any day (excluding Saturdays, Sundays and public holidays in Hong Kong and New York) on which banks generally are open for business in Hong Kong and New York.

2.3 Demand Registration.

(a) Request by Holders. If at any time after the earlier of (i) the fourth anniversary of the date hereof, or (ii) the closing of the Company's first firm commitment underwritten public offering the Company shall receive a written request from the Holders of at least thirty percent (30%) of the Registrable Securities to file a registration statement under the Securities Act covering the registration of Registrable Securities pursuant to this Section 2.3, the Company shall, within ten (10) Business Days of the receipt of such written request, give written notice of such request (the "**Request Notice**") to all Holders, and use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered and included in such registration by written notice given by such Holders to the Company within twenty (20) days after receipt of the Request Notice, subject only to the limitations of this Section 2.3; provided that the Company shall not be obligated to effect, or to take any action to effect, any such registration if:

(i) In any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification, or compliance, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(ii) After the Company has initiated three (3) such registrations pursuant to this Section 2.3 (counting for these purposes only registrations which have been declared or ordered effective);

(iii) During the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of filing of, and ending on a date one hundred eighty (180) days after the effective date of, a Company-initiated registration; provided that the

Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective;

(iv) If the Initiating Holders (defined below) propose to dispose of Registrable Securities which may be immediately registered on Form F-3 pursuant to a request made under Section 4 hereof;

(v) If the Initiating Holders (defined below) do not request that such offering be firmly underwritten by underwriters selected by the Initiating Holders (subject to the consent of the Company, which consent will not be unreasonably withheld); or

(vi) If the Company and the Initiating Holders (defined below) are unable to obtain the commitment of the underwriter described in clause (v) above to firmly underwrite the offer.

(b) Underwriting. If the Holders initiating the registration request under this Section 2.3 (the "**Initiating Holders**") intend to distribute the Registrable Securities covered by their request by means of an underwriting, then they shall so advise the Company as a part of their request made pursuant to this Section 2.3 and the Company shall include such information in the Request Notice. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting by the Holders of a majority of the Registrable Securities being registered and reasonably acceptable to the Company. Notwithstanding any other provision of this Section 2.3, if the underwriter(s) advise(s) the Company in writing that marketing factors require a limitation of the number of securities to be underwritten, then the Company shall so advise all Holders which would otherwise be registered and underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be reduced as required by the underwriter(s) and allocated among the Holders on a pro rata basis according to the number of Registrable Securities then outstanding held by each Holder requesting registration (including the Initiating Holders); provided, however, that the number of shares of Registrable Securities held by holder(s) of the Series A Shares, the Series A-1 Shares, the Series B Shares, the Series D Shares and the Series E Shares to be included in such underwriting and registration shall not be reduced unless all other securities are first entirely excluded from the underwriting and registration including, without limitation, all shares that are not Registrable Securities and are held by any other person, including, without limitation, any person who is an employee, consultant, officer or director of the Company or any subsidiary of the Company; provided further that at least twenty-five (25%) of shares of Registrable Securities requested by the Holders to be included in such underwriting and registration shall be so included. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the

registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(c) Maximum Number of Demand Registrations. The Company shall not be obligated to effect more than three (3) such demand registrations pursuant to this Section 2.3.

(d) Deferral. Notwithstanding the foregoing, if the Company shall furnish to Holders requesting registration pursuant to this Section 2.3, a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for such registration statement to be filed at such time, then the Company shall have the right to defer such filing for a period of not more than one hundred and twenty (120) days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period; provided further, that the Company shall not register any other of its shares during such twelve (12) month period. A demand right shall not be deemed to have been exercised until such deferred registration shall have been effected.

(e) Other Securities Laws in Demand Registration. In the event of any registration pursuant to this Section 2.3, the Company shall register and qualify the securities covered by the registration statement under the securities laws of any other jurisdictions outside of the United States or in Hong Kong or elsewhere as shall be appropriate for the distribution of the securities; provided, however, that (i) the Company shall not be required to do business or to file a general consent to service of process in any such state or jurisdiction, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act, and (ii) notwithstanding anything in this Agreement to the contrary, in the event any jurisdiction in which the securities shall be qualified imposes a non-waivable requirement that expenses incurred in connection with the qualification of the securities be borne by selling shareholders, the expenses shall be payable pro rata by the selling shareholders.

2.4 Piggyback Registrations.

(a) The Company shall notify all Holders in writing at least thirty (30) days prior to filing any registration statement under the Securities Act for purposes of effecting a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to any registration under Section 2.3 or Section 2.5 of this Agreement or to any employee benefit plan or a corporate reorganization or other Rule 145 transaction, an offer and sale of debt securities, or a registration on any registration form that does not permit secondary sales, or the Company's initial public offering of its common shares), and shall afford each such Holder an opportunity to include in such registration statement all or any part of the Registrable Securities then held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall within twenty (20) days after receipt of the above-described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Securities such Holder wishes to include in such registration statement. If a Holder decides not to include all of its Registrable Securities in

any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(b) Underwriting. If a registration statement for which the Company gives notice under this Section 2.4 is for an underwritten offering, then the Company shall so advise the Holders. In such event, the right of any such Holder's Registrable Securities to be included in a registration pursuant to this Section 2.4 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Agreement but subject to Section 2.12, if the managing underwriter(s) determine(s) in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the managing underwriter(s) may exclude Registrable Securities requested to be registered from the registration and the underwriting, and the number of Registrable Securities that may be included in the registration and the underwriting shall be allocated, first, to the Company, second, to the holders of the Series E Shares, Series D Shares, Series C Shares, Series B Shares and Series A-1 Shares holding the Registrable Securities on a pro rata basis, third, to each of the remaining Holders requesting inclusion of their Registrable Securities in such registration statement on a pro rata basis, in each case based on the total number of shares of Registrable Securities then held by each such Holder , and fourth to holders of other securities of the Company; provided, however, that the right of the underwriter(s) to exclude shares (including Registrable Securities) from the registration and underwriting as described above shall be restricted so that (i) the number of Registrable Securities held by holder(s) of the Series E Shares, Series D Shares, Series C Shares, Series B Shares and Series A-1 Shares included in any such registration is not reduced below twenty-five percent (25%) of the aggregate number of shares of Registrable Securities for which inclusion has been requested; and (ii) all shares of Registrable Securities held by holder(s) of the Series A Shares or all other shares that are not Registrable Securities and are held by any other person, including, without limitation, any person who is an employee, consultant, officer or director of the Company (or any subsidiary of the Company) shall first be excluded from such registration and underwriting before any Registrable Securities held by holder(s) of the Series E Shares, Series D Shares, Series C Shares and Series B Shares are so excluded. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(c) Not Demand Registration. Registration pursuant to this Section 2.4 shall not be deemed to be a demand registration as described in Section 2.3 above. There shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 2.4.

2.5 Form F-3 Registration. In case the Company shall receive from any Holder or Holders of at least thirty percent (30%) of the Registrable Securities then outstanding a written request or requests that the Company effects a registration on Form F-3 (or an equivalent registration in a jurisdiction outside of the United States) and any related qualification or

compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, then the Company will:

(a) Notice. Promptly give written notice of the proposed registration and the Holder's or Holders' request therefor, and any related qualification or compliance, to all other Holders; and

(b) Registration. As soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified

in a written request given within twenty (20) days after the Company provides the notice contemplated by Section 2.5(a); provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 2.5:

(i) if Form F-3 is not available for such offering by the Holders;

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than US$1,000,000;

(iii) if the Company shall furnish to the Holders a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for such Form F-3 registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form F-3 registration statement no more than once during any twelve (12) month period for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under Section 2.5(a); provided that the Company shall not register any of its other shares during such ninety (90) day period;

(iv) if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act other than a registration from which the Registrable Securities of Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Sections 2.3(b) and 2.4(b); or

(v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance, unless the Company is already subject to service of process in such jurisdiction; or

(vi) if such registration is to be effected more than five (5) years after the Company's initial public offering.

(c) Not Demand Registration. Form F-3 registrations shall not be deemed to be demand registrations as described in Section 2.3 above. Except as otherwise provided herein, there shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 2.5.

(d) Underwriting. If the Holders requesting registration under this Section 2.5 intend to distribute the Registrable Securities covered by their request by means of an underwriting, the provisions of Section 2.3(b) shall apply to such registration.

2.6 Expenses. All Registration Expenses incurred in connection with any registration pursuant to Section 2.3, 2.4 or 2.5 (but excluding Selling Expenses) shall be borne by the Company. Each Holder participating in a registration pursuant to Section 2.3, 2.4 or 2.5 shall bear such Holder's proportionate share (based on the total number of shares sold in such registration other than for the account of the Company) of all Selling Expenses or other amounts payable to underwriter(s) or brokers, in connection with such sale by the Holders. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2.3 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered, unless the Holders of a majority of the Registrable Securities then outstanding agree that such registration constitutes the use by the Holders of one (1) demand registration pursuant to Section 2.3 (in which case such registration shall also constitute the use by all Holders of one (1) such demand registration); provided further, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company not known to the Holders at the time of their request for such registration and have withdrawn their request for registration with reasonable promptness after learning of such material adverse change, then the Holders shall not be required to pay any of such expenses and such registration shall not constitute the use of a demand registration pursuant to Section 2.3.

2.7 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities under this Agreement, the Company shall, as expeditiously as reasonably possible:

(i) Registration Statement. Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to ninety (90) days; provided, however, that (i) such ninety (90) day period shall be extended for a period of time equal to the period any Holder refrains from selling any securities included in such registration at the request of the underwriter(s), and (ii) in the case of any registration of Registrable Securities on Form F-3 which are intended to be offered on a continuous or delayed basis, such ninety (90) day period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold.

(ii) Amendments and Supplements. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(iii) Prospectuses. Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them that are included in such registration.

(iv) Blue Sky. Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction or except as may be required by the Securities Act.

(v) Underwriting. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement in usual and customary form, with the managing underwriter(s) of such offering.

(vi) Notification. Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of (i) the issuance of any stop order by the SEC in respect of such registration statement, or (ii) the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(vii) Opinion and Comfort Letter. Furnish, at the request of any Holder requesting registration of Registrable Securities, on the date that such Registrable Securities are delivered to the underwriter(s) for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of the Registrable Securities and (ii) letters dated as of (x) the effective date of the registration statement covering such Registrable Securities and (y) the closing date of the offering from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an

underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of the Registrable Securities.

2.8 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2.3, 2.4 or 2.5 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to timely effect the registration of their Registrable Securities.

2.9 Indemnification. In the event any Registrable Securities are included in a registration statement under Section 2.3, 2.4 or 2.5:

(a) By the Company. To the extent permitted by law, the Company will indemnify and hold harmless each Holder, its partners, officers, directors, legal counsel, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act, or other United States federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "**Violation**"):

(i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus, final prospectus or free-writing prospectus contained therein or any amendments or supplements thereto;

(ii) any omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or

(iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any United States federal or state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any United States federal or state securities law in connection with the offering covered by such registration statement;

the Company will reimburse each such Holder, its partner, officer, director, legal counsel, underwriter or controlling person for any legal or other expenses reasonably incurred by them, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection (a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the written consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, legal counsel, underwriter or controlling person of such Holder.

(b) By Selling Holders. To the extent permitted by law, each selling Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, its legal counsel, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors, officers, legal counsel or any person who controls such Holder within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, legal counsel, controlling person, underwriter or other such Holder, partner, director, officer, legal counsel or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other United States federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, legal counsel, controlling person, underwriter or other Holder, partner, officer, director, legal counsel or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 2.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the written consent of such Holder, which consent shall not be unreasonably withheld; and provided, further, that in no event shall any indemnity under this Section 2.9(b) exceed the net proceeds actually received by such Holder in the registered offering out of which the applicable Violation arises.

(c) Notice. Promptly after receipt by an indemnified party under this Section 2.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of liability to the indemnified party under this Section 2.9 to the extent the indemnifying party is materially prejudiced as a result thereof, but the omission to so deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.9.

(d) Contribution. In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any indemnified party makes a claim for indemnification pursuant to this Section 2.9 but it is judicially determined (by the entry

of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 2.9 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any indemnified party in circumstances for which indemnification is provided under this Section 2.9; then, and in each such case, the indemnified party and the indemnifying party will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other hand, in connection with the Violation that resulted in such losses, claims, damages or liabilities so that a Holder at such fault (together with its related persons) is responsible for the portion represented by the percentage that the public offering price of its Registrable Securities offered by and sold under the registration statement bears to the public offering price of all securities offered by and sold under such registration statement, and the Company and other selling Holders at such fault are responsible for the remaining portion. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case: (A) no Holder will be required to contribute any amount in excess of the net proceeds to such Holder from the sale of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement; and (B) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

(e) Survival; Consents to Judgments and Settlements. The obligations of the Company and Holders under this Section 2.9 shall survive the completion of any offering of Registrable Securities in a registration statement, regardless of the expiration of any statutes of limitation or extensions of such statutes. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

2.10 Termination of the Company's Obligations. The Company's obligations under Sections 2.3, 2.4 and 2.5 with respect to any Registrable Securities proposed to be sold by a Holder in a registration pursuant to Section 2.3, 2.4 or 2.5 shall terminate on the fifth (5th) anniversary of an initial public offering, or, if, in the opinion of counsel to the Company, all such Registrable Securities proposed to be sold by a Holder (and any Affiliate of the Holder with whom such Holder must aggregate its sales under Rule 144) may then be sold without restrictions pursuant to Rule 144 promulgated under the Securities Act.

2.11 No Registration Rights to Third Parties. Without the prior written consent of the holders of a majority of the Series A-1 Shares then outstanding, the holders of a majority of Series B Shares then outstanding, the holders of a majority of the Series C Shares then

outstanding, the holders of a majority of the Series D Shares then outstanding, and the holders of at least 75% of the Series E Shares then outstanding, in each case voting together as a separate class, the Company covenants and agrees that it shall not grant, or cause or permit to be created, for the benefit of any person or entity any registration rights of any kind (whether similar to the demand, "piggyback" or Form F-3 registration rights described in this Section 2, or otherwise) relating to any securities of the Company.

2.12 Market Stand-Off. Each holder of the Common Shares and each Holder agree that, so long as it holds any voting securities of the Company, upon request by the Company or the underwriters managing the initial public offering of the Company's securities, it will not sell or otherwise transfer or dispose of any securities of the Company (other than those permitted to be included in the registration and other transfers to Affiliates permitted by law or to other Affiliates who agree to be similarly bound) without the prior written consent of the Company or such underwriters, as the case may be, for a period of time specified by the representative of the underwriters not to exceed one hundred and eighty (180) days from the effective date of the registration statement covering such initial public offering or the pricing date of such offering as may be requested by the underwriters (whichever is later). The foregoing provision of this Section 2.12 shall only apply to the Company's initial public offering and shall not apply to the sale of any securities of the Company to an underwriter pursuant to any underwriting agreement, and shall only be applicable to the Holders if all officers, directors and holders of one percent (1%) or more of the Company's outstanding share capital on a fully-diluted basis enter into similar agreements with same terms and conditions as described in this Section 2.12, and if the Company or any underwriter releases, at any time during the market stand-off time period, any officer, director or holder of one percent (1%) or more of the Company's outstanding share capital on a fully-diluted basis from his, her or its sale restrictions so undertaken, then each Holder shall be notified prior to such release and shall itself be simultaneously released to the same proportional extent of such Holder's Shares originally subject to the market-standoff restrictions. The Company shall require all future acquirers of the Company's securities holding at least one percent (1%) of the then outstanding share capital of the Company on a fully-diluted basis to execute, prior to any public offering of the Company's securities, a market stand-off agreement containing substantially similar provisions as those contained in this Section 2.12.

2.13 Rule 144 Reporting. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may at any time permit the sale of the Registrable Securities to the public without registration or pursuant to a registration on Form F-3, after such time as a public market exists for the Common Shares, the Company agrees to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times after the effective date of the first registration under the Securities Act filed by the Company for an offering of its securities to the general public;

(b) File with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements); and

(c) So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time after ninety (90) days after the effective date of the Company's initial public offering), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or its qualification as a registrant whose securities may be resold pursuant to Form F-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company, and (iii) such other reports and documents of the Company as a Holder may reasonably request in availing itself of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to Form F-3.

3. RIGHT OF FIRST OFFER.

3.1 General. Each Investor and its permitted assignees to whom such Investor's rights under this Section 3 have been duly assigned in accordance with Section 6.1 (such Investor, and each such assignee hereinafter each referred to as a "**Participation Rights Holder**") shall have the right of first offer, but not an obligation, to purchase such Participation Rights Holder's Pro Rata Share (as defined below) of all (or any part) of any New Securities (as defined in Section 3.3) that the Company may from time to time issue after the date of this Agreement (the "**Right of Participation**").

3.2 Pro Rata Share. A Participation Rights Holder's "**Pro Rata Share**" for purposes of the Right of Participation is the ratio of (a) the number of Common Shares (calculated on a fully-diluted and as-converted basis) then held by such Participation Rights Holder to (b) the total number of Common Shares (calculated on a fully-diluted and as-converted basis) then held by all Participation Rights Holders immediately prior to the issuance of New Securities giving rise to the Right of Participation.

3.3 New Securities. "**New Securities**" shall mean any class of shares or securities of the Company, including but not limited to the Preferred Shares, Common Shares or other shares of the Company, whether now authorized or not, and rights, options or warrants to purchase such Preferred Shares, Common Shares and securities of any type whatsoever that are, or may become, convertible or exchangeable into the Preferred Shares, Common Shares or other shares, without regard to the differences in voting rights; provided, however, that the term "**New Securities**" shall not include (the issuances pursuant to the subsections below collectively referred to as the "**Permitted Issuances**"):

(i) any of the Common Shares, options or warrants issued to employees, officers, directors, contractors, advisors or consultants of the Company for up to 26,822,828 Common Shares pursuant to the Company's 2010 share incentive plan (the "**2010 ESOP**"), 9,073,732 Common Shares to the RS Holdco for distributions in the form of restricted shares pursuant to the Company's 2013 share incentive plan (the "**2013 RS Plan**"), and a certain

number of Common Shares for distribution in the form of restricted shares pursuant to the Series E Incentive Plan (as defined in the Restated Articles) (together with the 2010 ESOP and 2013 RS Plan, collectively the "**ESOP**") approved by the Board;

(ii) any securities issued in connection with any share split, share dividend, subdivision, combination, reclassification or other similar event in which all Participation Rights Holders are entitled to participate on a pro rata basis, as approved by the Board;

(iii) any securities issued pursuant to any public offering (including, without limitation, an initial public offering) of the Company;

(iv) any securities issued pursuant to the acquisition of another corporation or entity by the Company by consolidation, merger, purchase of assets, or other reorganization in which the Company acquires, in a single transaction or series of related transactions, all or substantially all assets of such other corporation or entity, or fifty percent (50%) or more of the equity ownership or voting power of such other corporation or entity;

(v) any Conversion Shares;

(vi) any securities issued in connection with a strategic partnership or joint venture entered into by the Company, which shall not be a private equity, venture capital or other similar financing and shall be approved by the Board (including at least the affirmative vote of one (1) Xiaomi Director, the Kingsoft Director, the Series D Director, the Morningside Director and IDG Director); or

(vii) any securities issued pursuant to the Primavera New Warrant and the warrant issued to Xiaomi in accordance with the Xiaomi Share Purchase Agreement.

3.4 Procedures.

(a) First Participation Notice. In the event that the Company proposes to undertake an issuance of New Securities (in a single transaction or a series of related transactions), it shall give to each Participation Rights Holder written notice of its intention to issue New Securities (the "**First Participation Notice**"), describing the amount and type of New Securities, the price and the general terms upon which the Company proposes to issue such New Securities. Each Participation Rights Holder shall have fourteen (14) Business Days from the date of receipt of any such First Participation Notice to agree in writing to purchase such Participation Rights Holder's Pro Rata Share of such New Securities (or any part thereof) for the price and upon the terms and conditions specified in the First Participation Notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased (not to exceed such Participation Rights Holder's Pro Rata Share). If any Participation Rights Holder fails to so agree in writing within such fourteen (14) Business Day period, then such Participation Rights Holder shall be deemed to have forfeited the right hereunder to purchase that part of its Pro Rata Share of such New Securities that it did not agree to purchase.

(b) Second Participation Notice; Oversubscription. If any Participation Rights Holder fails or declines to fully exercise its Right of Participation in accordance with subsection (a) above, the Company shall promptly give notice (the "**Second Participation Notice**") to the other Participation Rights Holders who fully exercised their Right of Participation (the "**Right Participants**") in accordance with subsection (a) above. Each Right Participant shall have five (5) Business Days from the date of receipt of the Second Participation Notice (the "**Second Participation Period**") to notify the Company of its desire to purchase more than its Pro Rata Share of the New Securities, stating the number of the additional New Securities it proposes to buy (the "**Additional Number**"). Such notice may be made by telephone if confirmed in writing within two (2) Business Days. If, as a result thereof, such oversubscription exceeds the total number of the remaining New Securities available for purchase, each oversubscribing Right Participant will be cut back by the Company with respect to its oversubscription to that number of remaining New Securities equal to the lesser of (x) the Additional Number and (y) the product obtained by multiplying (i) the number of the remaining New Securities available for subscription by (ii) a fraction, the numerator of which is the number of Common Shares (calculated on a fully-diluted and as-converted basis) held by such oversubscribing Right Participant and the denominator of which is the total number of Common Shares (calculated on a fully-diluted and as-converted basis) held by all the oversubscribing Right Participants. Each Right Participant shall be obligated to buy such number of New Securities as determined by the Company pursuant to this Section 3.4(b) and the Company shall so notify the Right Participants within fourteen (14) Business Days following the date of the Second Participation Notice.

(c) Failure to Exercise. Upon the expiration of the Second Participation Period and to the extent that not all New Securities have been subscribed for by the Participation Rights Holders, or in the event no Participation Rights Holder exercises the Right of Participation within fourteen (14) days following the issuance of the First Participation Notice, the Company shall have 60 days thereafter to sell the New Securities described in the First Participation Notice (the portion to which the Right of Participation hereunder were not exercised) at the same or higher price and upon non-price terms not materially more favorable to the purchasers thereof than specified in the First Participation Notice. In the event that the Company has not issued and sold such New Securities within such 60 day period, then the Company shall not thereafter issue or sell any New Securities without again first offering such New Securities to the Participation Rights Holders pursuant to this Section 3.

3.5 Termination. The Right of Participation for each Participation Rights Holder shall not terminate so long as any Investors and its Affiliates collectively hold any Series A-1 Shares, Series A Shares, Series B Shares, Series C Shares, Series D Shares, Series E Shares or Common Shares; provided, however, that the Right of Participation shall terminate upon the earlier of the closing of the initial public offering of the Company, a Liquidation Event or a Deemed Liquidation Event, or a Trade Sale.

4. TRANSFER RESTRICTIONS.

4.1 Certain Definitions. For purposes of this Section 4, "**Common Shares**" means (i) the Company's outstanding Common Shares, (ii) the Common Shares issuable upon exercise of outstanding options or warrants, and (iii) the Common Shares issuable upon conversion of any

outstanding convertible securities other than Conversion Shares; "**Preferred Holder**" means an Investor and its permitted assignees to whom its rights under this Section 4 have been duly assigned in accordance with this Agreement; "**Common Holders**" means the holders of any Common Shares; and "**Restricted Shares**" means any of the Company's securities including, without limitation, the Common Shares, any Preferred Shares, or securities convertible into or exercisable for Common Shares.

4.2 Restriction on Sale. During the Restricted Period (as defined below), each holder of any class or series of Restricted Shares (such holder for the purposes of this Section 4, the "**Restricted Shareholders**") agrees not to, directly or indirectly, transfer, sell or pledge or otherwise dispose of or permit the transfer, sale, pledge, or other disposition of, any Restricted Shares except in compliance with this Section 4. In the event of an involuntary transfer of Restricted Shares during the Restricted Period pursuant to divorce, legal separation, bankruptcy or insolvency, such involuntary transfer shall be conducted in accordance with the applicable provisions of this Section 4. Each Restricted Shareholder (if applicable) shall procure that restrictions set forth in this Section 4 shall not be avoided by the direct or indirect transfer, sale, pledge, or other disposition of any shares (or other interest) in such Restricted Shareholder or of any other entity having control over such Restricted Shareholder.

4.3 Right of First Refusal and Right of Co-Sale.

(a) Transfer Notice. If (i) a Restricted Shareholder proposes to, directly or indirectly, transfer, sell or pledge or otherwise dispose of or permit the transfer, sale, pledge, or other disposition of, any Restricted Shares held by him to one or more third parties or (ii) at any time any Restricted Shares held by such Restricted Shareholder are transferred involuntarily pursuant to divorce, legal separation, bankruptcy or other proceedings, death or any other involuntary transfer (each such disposition referenced in Sections 1.1, 1.3 and 4 hereof, a "**Transfer**"), then such Restricted Shareholder (or, in the event of an involuntary transfer, the person to whom the Offered Shares (as defined below) are to be transferred) (such Restricted Shareholder or person, a "**Selling Shareholder**") shall give the Company and each Preferred Holder written notice of such Selling Shareholder's intention to make such Transfer (the "**Transfer Notice**"), which Transfer Notice shall include (i) a description of the Restricted Shares to be transferred (the "**Offered Shares**"), (ii) the identity of the prospective transferee(s) and (iii) the consideration and the material terms and conditions upon which the proposed Transfer is to be made. The Transfer Notice shall certify that such Selling Shareholder has received a firm offer from the prospective transferee(s) and in good faith believes a binding agreement for the Transfer is obtainable on the terms set forth in the Transfer Notice. The Transfer Notice shall also include a copy of any written proposal, term sheet or letter of intent or other agreement relating to the proposed Transfer. The Transfer Notice shall constitute an irrevocable offer by the Selling Shareholder to sell the Offered Shares to the other Shareholders in the following order: firstly, to each holder of the Series E Shares (the "**Series E Holder**"), the Series D Shares (the "**Series D Holder**"), the Series C Shares (the "**Series C Holder**") and the Series B Shares (the "**Series B Holder**") on a pro rata and as converted basis, and for any remaining Offered Shares not purchased by the Series E Holders, Series D Holders, Series C Holders and the Series B Holders, to the holders of the Series A-1 Shares (the "**Series A-1 Holder**"), and for any remaining Offered Shares not purchased by the Series A-1 Holders, to the holders of the Series A Shares

(the "**Series A Holder**"), and for any remaining Offered Shares not purchased by the Series A Holders, to the Common Holders.

(b) Option of Series E Holders, Series D Holders, Series C Holders and Series B Holders to Purchase.

(i) Each of the Series B Holders, the Series C Holders, the Series D Holders and the Series E Holders who notifies such Selling Shareholder in writing within ten (10) Business Days after receipt of the Transfer Notice (the "**Series B/C/D/E Purchase Period**") referred to in Section 4.3(a) (each a "**Purchasing B/C/D/E Holder**") shall have the right, exercisable upon such written notice to the Selling Shareholder (the "**Purchase and Co-Sale Notice**"), to purchase up to its pro rata share of the Offered Shares plus up to its pro rata share of any Offered Shares not purchased by any other Series B Holder, Series C Holder, Series D Holder or Series E Holder (the "**Remaining Shares**") on the same terms and conditions as set forth in the Transfer Notice, subject to Section 4.3(f)(i) below. The Purchase and Co-Sale Notice shall state (A) whether the Series E

Holder, the Series D Holder, the Series C Holder or the Series B Holder desires to purchase up to its pro rata share of the Offered Shares, (B) whether the Series E Holder, the Series D Holder, the Series C Holder or the Series B Holder desires to purchase the maximum amount of its pro rata share of the Remaining Shares, and (C) whether the Series E Holder, the Series D Holder, the Series C Holder or the Series B Holder elects not to purchase any of the Offered Shares but wishes to sell a portion of the securities held by such Series E Holder, Series D Holder, Series C Holder or Series B Holder pursuant to Section 4.3(g) of this Agreement and the number of securities to be sold (subject to Section 4.3(g)(ii)). A Series E Holder, Series D Holder, Series C Holder or Series B Holder has option either to purchase or to sell under this Section 4 and such right shall not be construed as an option to both purchase and sell with respect to the same Transfer. A Series E Holder, Series D Holder, Series C Holder or Series B Holder who either does not deliver a Purchase and Co-Sale Notice or indicates in the Purchase and Co-Sale Notice that such Series E Holder, Series D Holder, Series C Holder or Series B Holder elected not to purchase any of the Offered Shares shall be referred to herein as a "**Non-Purchasing Holder**".

(ii) Each Purchasing B/C/D/E Holder who sets forth in the Purchase and Co-Sale Notice a desire to purchase the maximum amount of Offered Shares available shall be entitled to purchase its pro rata share of the Remaining Shares.

(iii) Each Purchasing B/C/D/E Holder's pro rata share shall be equal to a fraction, the numerator of which is the number of Conversion Shares held by such Purchasing B/C/D/E Holder and the denominator of which is the total number of Conversion Shares held by all Series B Holders, all Series C Holders, all Series D Holders and all Series E Holders calculated immediately prior to the time of the purchase hereunder from the Selling Shareholder, provided, however, that with respect to the Remaining Shares, the denominator shall be total number of Conversion Shares held by the Purchasing B/C/D/E Holders that are purchasing the Remaining Shares. Upon expiration of the Series B/C/D/E Purchase Period, the Selling Shareholder will provide notice to all Series B Holders, all Series C Holders, all Series D Holders and all Series E Holders as to whether or not the Right of First Refusal has been exercised by the

Series B Holders, the Series C Holders, the Series D Holders and the Series E Holders (the "**Series B/C/D/E Expiration Notice**").

(c) Series A-1 Holders' Option to Purchase.

(i) Series A-1 Transfer Notice. If any of the Offered Shares proposed in the Transfer Notice to be transferred are not purchased by the Series B Holders, the Series C Holders, the Series D Holders and the Series E Holders (the "**Series A-1 Remaining Offered Shares**"), then after the issue of the Series B/C/D/E Expiration Notice and subject to the co-sale rights set forth in this Agreement, the Selling Shareholder shall give the Series A-1 Holder an additional Transfer Notice (the "**Series A-1 Transfer Notice**") which shall include an offer to sell the Series A-1 Remaining Offered Shares and all of the information and certifications required in a Transfer Notice.

(ii) Each Series A-1 Holder who notifies such Selling Shareholder in writing within ten (10) Business Days after receipt of the Series A-1 Transfer Notice (the "**Series A-1 Purchase Period**") referred to above (each a "**Purchasing A-1 Holder**") shall have the right, exercisable upon such written notice to the Selling Shareholder in a Purchase and Co-Sale Notice, to purchase up to its pro rata share of the Series A-1 Remaining Offered Shares plus up to its pro rata share of any Series A-1 Remaining Offered Shares not purchased by any other Series A-1 Holder (the "**Remaining A-1 Shares**") on the same terms and conditions as set forth in the Series A-1 Transfer Notice, subject to Section 4.3(f)(i) below. The Purchase and Co-Sale Notice shall state (A) whether the Series A-1 Holder desires to purchase up to its pro rata share of the Series A-1 Remaining Offered Shares, (B) whether the Series A-1 Holder desires to purchase the maximum amount of its pro rata share of the Remaining A-1 Shares, and (C) whether the Series A-1 Holder elects not to purchase any of the Series A-1 Remaining Offered Shares but wishes to sell a portion of the securities held by such Series A-1 Holder pursuant to Section 4.3(g) of this Agreement and the number of securities to be sold (subject to Section 4.3(g)(ii)). A Series A-1 Holder has option either to purchase or to sell under this Section 4 and such right shall not be construed as an option to both purchase and sell with respect to the same Transfer.

(iii) Each Purchasing A-1 Holder who sets forth in the Purchase and Co-Sale Notice a desire to purchase the maximum amount of the Series A-1 Remaining Offered Shares available shall be entitled to purchase its pro rata share of the Remaining A-1 Shares.

(iv) Each Purchasing A-1 Holder's pro rata share shall be equal to a fraction, the numerator of which is the number of Conversion Shares held by such Purchasing A-1 Holder and the denominator of which is the total number of Conversion Shares held by all Series A-1 Holders calculated immediately prior to the time of the purchase hereunder from the Selling Shareholder, provided, however, that with respect to the Remaining A-1 Shares, the denominator shall be total number of Conversion Shares held by the Purchasing A-1 Holders that are purchasing the Remaining A-1 Shares. Upon expiration of the Series A-1 Purchase Period, the Selling Shareholder will provide notice to all Series A-1 Holders as to whether or not

the Right of First Refusal has been exercised by the Series A-1 Holders (the "**Series A-1 Expiration Notice**").

(d) Series A Holders' Option to Purchase.

(i) Series A Transfer Notice. If any of the Offered Shares proposed in the Transfer Notice to be transferred are not purchased by the Series A-1 Holders (the "**Series A Remaining Offered Shares**"), then after the issue of the Series A-1 Expiration Notice and subject to the co-sale rights set forth in this Agreement, the Selling Shareholder shall give each holder of Series A Shares (the "**Series A Holders**") an additional Transfer Notice (the "**Series A Transfer Notice**") which shall include an offer to sell the Series A Remaining Offered Shares and all of the information and certifications required in a Transfer Notice.

(ii) Each Series A Holder who notifies such Selling Shareholder in writing within ten (10) Business Days after receipt of the Series A Transfer Notice (the "**Series A Purchase Period**") referred to above (each a "**Purchasing A Holder**") shall have the right, exercisable upon such written notice to the Selling Shareholder in a Purchase and Co-Sale Notice, to purchase up to its pro rata share of the Series A Remaining Offered Shares plus up to its pro rata share of any Series A Remaining Offered Shares not purchased by any other Series A Holder (the "**Remaining A Shares**") on the same terms and conditions as set forth in the Series A Transfer Notice, subject to Section 4.3(f)(i) below. The Purchase and Co-Sale Notice shall state (A) whether the Series A Holder desires to purchase up to its pro rata share of the Series A Remaining Offered Shares, (B) whether the Series A Holder desires to purchase the maximum amount of its pro rata share of the Remaining A Shares, and (C) whether the Series A Holder elects not to purchase any of the Offered Shares but wishes to sell a portion of the securities held by such Series A Holder pursuant to Section 4.3(g) of this Agreement and the number of securities to be sold (subject to Section 4.3(g)(ii)). A Series A Holder has option either to purchase or to sell under this Section 4 and such right shall not be construed as an option to both purchase and sell with respect to the same Transfer.

(iii) Each Purchasing A Holder who sets forth in the Purchase and Co-Sale Notice a desire to purchase the maximum amount of the Series A Remaining Offered Shares available shall be entitled to purchase its pro rata share of the Remaining A Shares.

(iv) Each Purchasing A Holder's pro rata share shall be equal to a fraction, the numerator of which is the number of Conversion Shares held by such Purchasing A Holder and the denominator of which is the total number of Conversion Shares held by all Series A Holders calculated immediately prior to the time of the purchase hereunder from the Selling Shareholder, provided, however, that with respect to the Remaining A Shares, the denominator shall be total number of Conversion Shares held by the Purchasing A Holders that are purchasing the Remaining A Shares. Upon expiration of the Series A Purchase Period, the Selling Shareholder will provide notice to all Series A Holders as to whether or not the Right of First Refusal has been exercised by the Series A Holders (the "**Series A Expiration Notice**").

(e) Common Holders' Option to Purchase.

(i) Common Transfer Notice. If any of the Offered Shares proposed in the Transfer Notice to be transferred are not purchased by the Series A Holders (the "**Common Remaining Offered Shares**"), then after the issue of the Series A Expiration Notice and subject to the co-sale rights set forth in this Agreement, the Selling Shareholder shall give each Common Holder an additional Transfer Notice (the "**Common Transfer Notice**") which shall include an offer to sell the Common Remaining Offered Shares and all of the information and certifications required in a Transfer Notice.

(ii) Each Common Holder who notifies such Selling Shareholder in writing within ten (10) Business Days after receipt of the Common Transfer Notice (the "**Common Purchase Period**") referred to above (each a "**Purchasing Common Holder**") shall have the right, exercisable upon such written notice to the Selling Shareholder in a Purchase and Co-Sale Notice, to purchase up to its pro rata share of the Common Remaining Offered Shares plus up to its pro rata share of any Common Remaining Offered Shares not purchased by any other Common Holder (the "**Remaining Common Shares**") on the same terms and conditions as set forth in the Common Transfer Notice, subject to Section 4.3(f)(i) below. The Purchase and Co-Sale Notice shall state (A) whether the Common Holder desires to purchase up to its pro rata share of the Common Remaining Offered Shares, (B) whether the Common Holder desires to purchase the maximum amount of its pro rata share of the Remaining Common Shares, and (C) whether the Common Holder elects not to purchase any of the Offered Shares but wishes to sell a portion of the securities held by such Common Holder pursuant to Section 4.3(g) of this Agreement and the number of securities to be sold (subject to Section 4.3(g)(ii)). A Common Holder has option either to purchase or to sell under this Section 4 and such right shall not be construed as an option to both purchase and sell with respect to the same Transfer.

(iii) Each Purchasing Common Holder who sets forth in the Purchase and Co-Sale Notice a desire to purchase the maximum amount of the Common Remaining Offered Shares available shall be entitled to purchase its pro rata share of the Remaining Common Shares.

(iv) Each Purchasing Common Holder's pro rata share shall be equal to a fraction, the numerator of which is the number of Common Shares held by such Purchasing Common Holder and the denominator of which is the total number of Common Shares held by all Common Holders calculated immediately prior to the time of the purchase hereunder from the Selling Shareholder, provided, however, that with respect to the Remaining Common Shares, the denominator shall be total number of Common Shares held by the Purchasing Common Holders that are purchasing the Remaining Common Shares. Upon expiration of the Common Purchase Period, the Selling Shareholder will provide notice to all Common Holders as to whether or not the Right of First Refusal has been exercised by the Common Holders (the "**Common Expiration Notice**").

(f) Involuntary Transfers; Non-Cash Consideration.

(i) In the event that the Transfer in question is by operation of law or another involuntary Transfer (including a Transfer incident to death, divorce, legal separation or

bankruptcy), the price per share shall be the greater of (A) the original purchase price paid by Selling Shareholder for such Offered Shares (adjusted for share splits, share dividends, combinations and the like) or (B) the fair market value of such Offered Shares, which shall be a price set by the Board that will reflect the current value of the Offered Shares in terms of present earnings and future prospects of the Company, determined within thirty (30) days after receipt by the Shareholders of the Transfer Notice. In the event that the Selling Shareholder or the Selling Shareholder's executor disagrees with such valuation as determined by the Board, the Selling Shareholder or the Selling Shareholder's executor shall be entitled to have the valuation determined by an independent appraiser to be mutually agreed upon by the Purchasing Shareholders and the Selling Shareholder or the Selling Shareholder's executor, the fees of which appraiser shall be borne equally by the Purchasing Shareholders and the Selling Shareholder or the Selling Shareholder's estate.

(ii) In the event the consideration for the Offered Shares specified in a Transfer Notice is payable in property other than cash and the Shareholders who wish to purchase the Offered Shares under Section 4.3(b) (acting together), as the case may be, cannot agree on the cash value of such property within ten (10) days after such Shareholders' receipt of the Transfer Notice, as the case may be, the value of such property shall be determined by an appraiser of recognized standing selected jointly by the Selling Shareholder and such Shareholders (acting together), as the case may be. If they cannot agree on an appraiser within twenty (20) days after receipt of the Transfer Notice by such Preferred Holders, as the case may be, within a further five(5)-day period, the Selling Shareholder and such Shareholders (acting together), as the case may be, shall each select an appraiser of recognized standing and the two appraisers shall designate a third appraiser of recognized standing to determine the value of such property. The value of such property shall be determined by the appraiser selected pursuant to this Section 4.3(f)(ii) within one (1) month from its appointment, and such determination shall be final and binding on the Selling Shareholder and such Shareholders, as the case may be. The cost of such appraisal shall be shared equally by the Selling Shareholder, on the one hand, and such Shareholders, as the case may be, on the other hand (each such Shareholder shall pay its pro rata portion of such costs based on the number of Offered Shares acquired by each such Shareholder). If the ten (10) day period as specified in Section 4.3 has expired but for the determination of the value of the consideration for the Offered Shares offered by the Selling Shareholder, then such ten (10) day period shall be extended to the fifth Business Day after such valuation shall have been determined to be final and binding pursuant to this Section 4.3(f)(ii).

(g) Right of Co-Sale.

(i) Following the expiration of the right of first refusal and purchase rights described in Sections 4.3(b), (c), (d) and (e), each Preferred Holder who previously notified the Selling Shareholder in the Purchase and Co-Sale Notice of such Preferred Holder's desire to sell a portion of its shares with the Selling Shareholder (such Preferred Holder, a "**Co-Sale Participant**") shall have the right to participate in the sale of any Offered Shares that were not purchased by the Shareholders pursuant to Sections 4.3(b), (c), (d) and (e), on the same terms

and conditions as specified in the Transfer Notice; provided, however, that (a) holders of Series A-1 Shares shall not be entitled to participate under this Section 4.3(g)(i) and shall not be deemed as a Co-Sale Participant as provided in Section 4.3(g)(ii) unless all Co-Sale Participants holding Series B Shares, Series C Shares, Series D Shares and Series E Shares have first exercised or declined to exercise their right of co-sale under this Section 4.3(g); (b) holders of Series A Shares shall not be entitled to participate under this Section 4.3(g)(i) and shall not be deemed as a Co-Sale Participant as provided in Section 4.3(g)(ii) unless all Co-Sale Participants holding Series A-1 Shares have first exercised or declined to exercise their right of co-sale under this Section 4.3(g); and (c) no Preferred Holders shall be entitled under this Section 4.3(g) to participate in Transfers of Restricted Shares by a Selling Shareholder incident to divorce, legal separation, bankruptcy or other proceedings, or death or in any other involuntary Transfers of Restricted Shares by a Selling Shareholder. To the extent one or more Preferred Holders exercise such right of co-sale in accordance with the terms and conditions set forth below, the number of Restricted Shares that the Selling Shareholder may sell in the Transfer shall be correspondingly reduced. Shareholders shall not have any right of first refusal to purchase the Shares to be sold by the Co-Sale Participants pursuant to this Section 4.3(g).

(ii) Each Co-Sale Participant may sell all or any part of that number of Conversion Shares equal to the product obtained by multiplying (A) the Offered Shares, less (x) any Offered Shares purchased pursuant to Sections 4.3(b), (c), (d) and (e), (y) when holders of Series A-1 Shares shall be deemed Co-Sale Participants, any Conversion Shares that holders of Series B Shares, Series C Shares, Series D Shares and Series E Shares shall have elected to co-sell under this Section 4.3(g), and (z) when holders of Series A Shares shall be deemed Co-Sale Participants, any Conversion Shares that holders of Series A-1 Shares, Series B Shares, Series C Shares, Series D Shares and Series E Shares shall have elected to co-sell under this Section 4.3(g), by (B) a fraction, the numerator of which shall be the number of Co-Sale Shares (as defined below) owned by such Co-Sale Participant and the denominator of which shall be the total number of Co-Sale Shares held by all Co-Sale Participants and the Common Shares (assuming full conversion of outstanding Preferred Shares) held by the Selling Shareholder, calculated immediately prior to the time of the Transfer. For the purpose of this Section 4.3(g)(ii), "**Co-Sale Shares**" means (A) any Common Shares issued or issuable upon conversion of the Series B, Series C Shares, Series D Shares or Series E Shares if the Co-Sale Participants are the holders of Series B, Series C Shares, Series D Shares and Series E Shares, (B) any Common Shares issued or issuable upon conversion of the Series A-1 Shares if the Co-Sale Participants are the holders of Series A-1 Shares, and (C) any Common Shares issued or issuable upon conversion of the Series A Shares if the Co-Sale Participants are the holders of Series A Shares.

(h) Transferred Shares. Each Co-Sale Participant shall effect its participation in the sale by promptly delivering to the Selling Shareholder for transfer to the prospective purchaser a duly executed instrument of transfer and one or more certificates, which represent:

(i) the series and number of securities of the Company which such Co-Sale Participant elects to sell;

(ii) that number of Common Shares, or that number of Preferred Shares which are at such time convertible into the number of Common Shares, which such Co-Sale Participant elects to sell; provided, however, that if the prospective third-party purchaser objects to the delivery of Preferred Shares in lieu of Common Shares, such Co-Sale Participant shall first convert such Preferred Shares into Common Shares and transfer the Common Shares as provided in this Section 4.3(h). The Company agrees to make any such conversion concurrently with the actual transfer of such shares to the purchaser and contingent upon such Transfer; or

(iii) a combination of the above.

(iv) Payment. The share certificate or certificates that the Co-Sale Participant delivers to such Selling Shareholder pursuant to Section 4.3(h) shall be returned to the Company for cancellation in consummation of the sale of the Offered Shares pursuant to the terms and conditions specified in the Transfer Notice, and such Selling Shareholder shall concurrently therewith remit to such Co-Sale Participant that portion of the sale proceeds to which such Co-Sale Participant is entitled by reason of its participation in such sale. To the extent that any prospective purchaser or purchasers prohibit(s) such assignment or otherwise refuse(s) to purchase shares or other securities from a Co-Sale Participant exercising its rights of co-sale hereunder, such Selling Shareholder shall not sell to such prospective purchaser or purchasers any Restricted Shares unless and until, simultaneously with such sale, such Selling Shareholder shall purchase such shares or other securities from such Co-Sale Participant for the same consideration and on the same terms and conditions as the proposed Transfer described in the Transfer Notice. The Company shall, upon receiving the relevant instruments of transfer duly executed by the Co-Sale Participant and the surrendering by the Co-Sale Participant or the Selling Shareholder of the certificates for the Preferred Shares or Common Shares being transferred as provided above, make proper entries in the register of members of the Company and cancel the surrendered certificates and issue any new certificates in the name of the prospective purchaser or the Selling Shareholder, as the case may be, as necessary to consummate the transactions in connection with the exercise by the Co-Sale Participant of their co-sale rights under this Section 4.3.

4.4 Non-Exercise of Rights. To the extent that the Shareholders have not exercised their rights to purchase all of a Selling Shareholder's Offered Shares, such Selling Shareholder together with any Co-Sale Participant shall have a period of sixty (60) days from the expiration of such rights to sell any remaining Offered Shares, upon terms and conditions (including the purchase price) no more favorable to the purchaser than those specified in the Transfer Notice, to the third-party transferee(s) identified in the Transfer Notice. The third-party transferee(s) shall, as a condition to the effectiveness of Transfer of the Offered Shares, furnish the Company and the Shareholders with a written agreement to be bound by and comply with this Agreement, including without limitation all provisions of this Section 4, as if such transferee(s) were a Selling Shareholder hereunder, as well as the terms of the agreement pursuant to which such Restricted Shares were issued. In the event a Selling Shareholder does not consummate the sale or disposition of the Offered Shares within the sixty (60)-day period from the expiration

of these rights, the Shareholders' first refusal rights hereunder shall continue to be applicable to any subsequent disposition of the Restricted Shares by such Selling Shareholder. Furthermore, the exercise or non-exercise by the Shareholders to purchase Restricted Shares from such Selling Shareholder shall not adversely affect the Shareholders' rights to make subsequent purchases from any Selling Shareholder of Restricted Shares. Any proposed Transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed Transfer of any of the Selling Shareholders' Restricted Shares shall again be subject to the right of the Shareholders under this Section 4 and shall require compliance by the relevant Selling Shareholder with the procedures described in this Section 4.

4.5 Exempt Transfers. Notwithstanding anything to the contrary contained herein, any right or restriction as provided in this Section 4 shall not apply to (a) any repurchase of Shares by the Company pursuant to any right of repurchase in the event of a termination of employment or consulting relationship or pursuant to the terms of the ESOP, (b) any transfer to (x) the immediate family member of the Selling Shareholder or any entity that is wholly owned by the Selling Shareholder, if the Selling Shareholder is a Founder or Founder Holdco, or (y) an Affiliate of the Selling Shareholder, if the Selling Shareholder is a shareholder of the Company other than any Founder or Founder Holdco, provided that the transferee so transferred shall not be a Competitor of any of the Group Companies, (c) in the case of a Transferor that is a natural person, transfers by the Transferor upon his or her death by will or intestacy to his or her siblings, children, grandchildren, spouse or any other relatives approved by unanimous consent of the Board, or any transfer to the parents, children or spouse, or to trusts for the exclusive benefit of such persons, of any Common Holder for bona fide tax and/or estate planning purposes, (d) any transfer by a Founder or a Partner to any Person not exceeding ten per cent (10%) of all Shares held by him on the date hereof (for the purpose of this Agreement, "**Partners**" mean collectively Huang Peng, a PRC citizen whose ID number is ****, and Wang Xiaoming, a PRC citizen whose ID number is ****; and "**Partner**" means any of them), (e) notwithstanding the foregoing subsection (d), any repurchase of Shares by the Company from the Founders pursuant to the Xiaomi Share Pursuant Agreement and any transfer of additional 532,328 Shares by Huang Peng to any Person, and (f) without limiting the foregoing subsection (a), any transfer by Fidelity to any Fidelity Persons or charitable organization, provided that the transferee so transferred shall not be a Competitor of any of the Group Companies (each transferee pursuant to the foregoing subsections (b), (c), (d), (e) and (f), a "**Permitted Transferee**"); provided that adequate documentation therefor is provided to the Investors to their satisfaction and that any such Permitted Transferee agrees in writing to be bound by this Agreement in place of the relevant transferor; provided, further, that such transferor shall remain liable for any breach by such Permitted Transferee of any provision hereunder. Each Shareholder (other than the Selling Shareholder) hereby waives its right of first refusal and right of co-sale under this Section 4 in respect of such transfer of Restricted Shares to any Permitted Transferee. For the purpose of this Agreement, "**Fidelity Persons**" means (1) Fidelity International Limited ("**FIL**"), a company incorporated in Bermuda, and any subsidiary undertaking of FIL from time to time (FIL and its subsidiary undertakings being the "**FIL Group**"); (2) FMR Corp. ("**FMR**"), a Delaware corporation, and any subsidiary undertaking of FMR from time to time (FMR and its subsidiary undertakings being the "**FMR Group**"); (3) any director,

officer, employee or shareholder of the FIL Group and/or the FMR Group or members of his family and any company, trust, partnership or other entity ("**Fidelity Entities**") formed for his or any of their benefit from time to time (any or all of such individuals and Fidelity Entities being the "**Closely Related Shareholders**"); (4) any Fidelity Entity controlled by Closely Related Shareholders where "**control**" shall mean the power to direct the management and policies or appoint or remove members of the board of directors or other governing body of the Fidelity Entity, directly or indirectly, whether through the ownership of voting securities, contract or otherwise, and "**controlled**" shall be construed accordingly; and (5) any affiliate of any member of the FIL Group and/or the FMR Group (where "**affiliate**" means any Fidelity Entity controlled by any combination of any Closely Related Shareholders and any member of the FIL Group and/or the FMR Group, and includes the officers, partners and directors of any affiliate). For the purpose of this Agreement, "**Affiliate**" means (a) in relation to any individual other than a Founder, the immediate family of such individual or any entity controlled by such individual, (b) in relation to a Founder or Founder Holdco, the immediate family of such Founder or any entity wholly owned by such Founder or Founder Holdco (whether by himself or together with other Founders), and (c) in relation to any legal person, any other person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the specified person; provided that, for the purpose of this Section 4, the "**Affiliate**" of any Selling Shareholder other than any Founder or Founder Holdco shall mean (x) any person in which such Selling Shareholder directly or indirectly owns the voting of more than 75% of the total outstanding equity interest, (y) any person which directly or indirectly owns the voting of more than 75% of the total outstanding equity interest in such Selling Shareholder, or (z) any person which is under the common control with the Selling Shareholder by any other person which directly or indirectly owns the voting of more than 75% of the total equity interest in both such person and such Selling Shareholder. For purposes of this definition and notwithstanding the definition with respect to Fidelity Entities in clause (3) above, a person shall be deemed to be "**controlled by**" another person if the other possesses, directly or indirectly, power either (i) to vote fifty percent (50%) or more of the securities having voting power for the election of directors of such person, or (ii) to direct or cause the direction of the management and policies of such person whether by contract or otherwise.

4.6 Prohibited Transfers.

(a) In the event a Selling Shareholder should sell any Restricted Shares in contravention of the transfer restrictions in this Section 4 or such Selling Shareholder fails to procure that its transferee (whether a third party transferee, an affiliate or otherwise) agree in writing to be bound by and comply with the rights and obligations of such Selling Shareholder under this Agreement, including, without limitation, all provisions of this Section 4 (each, a "**Prohibited Transfer**"), the Preferred Holders, in addition to such other remedies as may be available at law, in equity or hereunder, shall have the put option provided below and such Selling Shareholder shall be bound by the applicable provisions of such option.

(b) In the event of a Prohibited Transfer, each Preferred Holder shall have the right to sell to such Selling Shareholder the type and number of shares of Common Shares, Conversion Shares or Preferred Shares equal to the number of shares each Preferred Holder would have been

entitled to transfer to the third-party transferee(s) under Section 4.3(g) hereof had the Prohibited Transfer been effected pursuant to and in compliance with the terms hereof (assuming the Company had not exercised its right of first refusal and no Preferred Holder had elected to become Purchasing Holders). Such sale shall be made on the following terms and conditions:

(i) The price per share at which the shares are to be sold to such Selling Shareholder shall be equal to the price per share paid by the third-party transferee(s) to such Selling Shareholder in the Prohibited Transfer. The Selling Shareholder shall also reimburse each Preferred Holder for any and all fees and expenses, including legal fees and expenses, incurred pursuant to the exercise or the attempted exercise of the Preferred Holder's rights under this Section 4.

(ii) Within thirty (30) days after the later of the dates on which the Preferred Holder (A) received notice of the Prohibited Transfer or (B) otherwise became aware of the Prohibited Transfer, each Preferred Holder shall, if exercising the option created hereby, deliver to such Selling Shareholder a duly executed instrument of transfer and the certificate or certificates representing shares to be sold.

(iii) The Selling Shareholder shall, upon receipt of the certificate or certificates for the shares to be sold by a Preferred Holder, pursuant to this Section 4.6, pay the aggregate purchase price therefor and the amount of reimbursable fees and expenses, as specified in Section 4.6(b)(i), in cash or by other means acceptable to the Preferred Holder.

(iv) Notwithstanding the foregoing, any attempt by such Selling Shareholder to transfer Restricted Shares in violation of this Section 4 hereof shall be null and void and the Company agrees it will not effect such a Transfer nor will it treat any alleged transferee(s) as the holder of such shares without the written consent of the holders of a majority of the then outstanding Series A Shares, the holders of a majority of the then outstanding Series B Shares, the holders of a majority of the then outstanding Series C Shares, the holders of a majority of the then outstanding Series D Shares, and the holders of at least 75% of the then outstanding Series E Shares, each voting together as a separate class.

4.7 Definition of Trade Sale. For purposes of this Agreement, a "**Trade Sale**" shall mean (a) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Company, (b) a transfer or an exclusive licensing of all or substantially all of the intellectual property of the Group Companies, (c) a sale, transfer or other disposition of a majority of the issued and outstanding share capital of the Company or a majority of the voting power of the Company; or (d) a merger, consolidation or other business combination of the Company with or into any other business entity in which the shareholders of the Company immediately after such merger, consolidation or business combination hold shares representing less than a majority of the voting power of the outstanding share capital of the surviving business entity.

4.8 Legend.

(a) Each certificate representing the Restricted Shares shall be endorsed with the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY FOREIGN JURISDICTION. THE SECURITIES MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE AND FOREIGN SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH LAWS.

THE SALE, ASSIGNMENT, HYPOTHECATION, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION (EACH A "TRANSFER") AND VOTING OF ANY OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE RESTRICTED BY THE TERMS OF THE SEVENTH AMENDED AND RESTATED SHAREHOLDERS AGREEMENT, DATED APRIL 24, 2014 BY AND AMONG THE COMPANY, ITS SUBSIDIARIES AND THE SHAREHOLDERS NAMED THEREIN, A COPY OF WHICH MAY BE INSPECTED AT THE COMPANY'S PRINCIPAL OFFICE. THE COMPANY WILL NOT REGISTER THE TRANSFER OF SUCH SECURITIES ON THE BOOKS OF THE COMPANY UNLESS AND UNTIL THE TRANSFER HAS BEEN MADE IN COMPLIANCE WITH THE TERMS OF SUCH SHAREHOLDERS AGREEMENT."

(b) Each party agrees that the Company may instruct its transfer agent to impose transfer restrictions on the shares represented by certificates bearing the legend referred to in Section 4.8(a) above to enforce the provisions of this Agreement and the Company agrees to promptly do so. The legend shall be removed upon termination of the provisions of this Section 4.

4.9 Restriction on Indirect Transfers. Notwithstanding anything to the contrary contained herein, without the prior written approval of the holders of a majority of the then outstanding Preferred Shares (including holders of at least 75% of the then outstanding Series E Shares), voting together on an as converted basis (the "**Majority Preferred**"):

(a) Each of the Founders shall not, and shall cause any other shareholder of each Founder Holdco not to, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage, encumber or otherwise dispose through one or a series of transactions any equity interest held, directly or indirectly, by the Founders or any other shareholder in each Founder Holdco to any person, and each Founder Holdco hereby agrees it will not effect a transfer in

violation of the foregoing sentence nor will it treat any alleged transferee as the holder of such shares.

(b) Each Founder Holdco shall not, and each Founder shall cause each Founder Holdco not to, issue to any person any equity securities of any Founder Holdco or any options or warrants for, or any other securities exchangeable for or convertible into, such equity securities of any Founder Holdco.

(c) Each of the Founders shall not, and shall cause any other person not to, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage, encumber or otherwise dispose through one or a series of transactions any equity interest held or controlled by him in the Domestic Companies (as defined in Schedule A) to any person. Any transfer in violation of this Section 4.9(c) shall be void and each Domestic Company hereby agrees it will not effect such a transfer nor will it treat any alleged transferee as the holder of such equity interest.

(d) The Domestic Companies shall not, and each of the Founders shall cause the Domestic Companies not to, issue to any person any equity securities of the Domestic Companies, or any options or warrants for, or any other securities exchangeable for or convertible into, such equity securities of the Domestic Companies.

4.10 Term. The provisions under Section 4.1 through Section 4.9 shall terminate upon the earlier to occur of (provided that the definitions of certain terms as defined in these Sections and used elsewhere shall survive such termination):

(a) the closing of an initial public offering of the Company; and

(b) a Trade Sale (as defined above).

The period from the date hereof to such termination date is defined as the "**Restricted Period**".

4.11 Series E Investors' Consent Right.

(a) Notwithstanding anything to the contrary herein and in addition to such restrictions set forth under Section 4.1 through Section 4.9, except for transfers by the Selling Shareholders to Permitted Transferees as provided in Section 4.5 above, without the prior written consent of the holders of at least 75% of the Series E Shares:

(i) none of Zou Shenglong and his Permitted Transferee shall, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage, encumber or otherwise dispose of through one or a series of transactions any Restricted Shares held by them to any person during the period commencing from the date hereof to the later of (x) the fifth (5th) anniversary of the date hereof, or (y) the fourth (4th) anniversary of the closing of an initial public offering of the Company; and

(ii) none of the Founders (except for Zou Shenglong), the Partners, and their respective Permitted Transferees shall, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage, encumber or otherwise dispose of through one or a series of transactions

any Restricted Shares held by them to any person for the period of four (4) years commencing from the date hereof; and

(iii) none of the holders of Common Shares which are issued or granted pursuant to the ESOP (but excluding the Partners) and their respective Permitted Transferees shall, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage, encumber or otherwise dispose of through one or a series of transactions any Restricted Shares held by them to any person on or before the earlier of (x) the completion of an initial public offering of the Company, and (y) the fourth (4th) anniversary of the date hereof, except carried out in strict accordance with the ESOP duly adopted by the Company.

(b) Any attempt to transfer any Restricted Shares in violation of this Section 4.11 shall be void and the Company hereby agrees it will not effect such a transfer nor will it treat any alleged transferee as the holder of such Restricted Shares without the prior written consent of the holders of at least 75% of the Series E Shares.

4.12 Restrictions on RS Holdco. Notwithstanding anything to the contrary contained herein, except carried out in strict accordance with the ESOP duly adopted by the Company, without the prior written approval of the Majority Preferred:

(a) Each of the Founders shall not, and shall cause any other shareholder of the RS Holdco not to, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage, encumber or otherwise dispose through one or a series of transactions any equity interest held, directly or indirectly, by the Founders or any other shareholder in the RS Holdco to any person, and the RS Holdco hereby agrees it will not effect a transfer in violation of the foregoing sentence nor will it treat any alleged transferee as the holder of such shares.

(b) The RS Holdco shall not, and each Founder shall cause the RS Holdco not to, issue to any person any equity securities of the RS Holdco or any options or warrants for, or any other securities exchangeable for or convertible into, such equity securities of the RS Holdco.

5. DRAG-ALONG RIGHTS.

5.1 Drag-Along Rights. Notwithstanding anything herein to the contrary, but subject to Sections 5.2(a) and 5.6, (i) at any time after the third (3rd) anniversary of the date hereof, if the holders of at least a majority of Common Shares held by the Founder Holdcos and the holders of at least 75% of Series E Shares, approve a Transfer of all Shares held by them or approve a proposed Trade Sale, in each case to a bona fide third party purchaser and based on a total equity value of the Company of no less than US$1,300,000,000, or (ii) ninety-seven (97%) or more of all voting power of the Company, voting together as a single class on an as-converted basis, approve a Transfer of all Shares held by them to a purchaser, or approve a proposed Trade Sale without any requirement in terms of a total consideration, then, in any such event, upon written notice from such Drag-Along Shareholders (as defined below) requesting them to do so, each of the other shareholders of the Company (the "**Dragged Shareholders**") shall (i) vote, or give its written consent with respect to, all Shares held by them in favor of such proposed Drag-Along Sale and in opposition of any proposal that could

reasonably be expected to delay or impair the consummation of any such proposed Drag-Along Sale; (ii) transfer all of their Shares in such Drag-Along Sale to such purchaser; (iii) refrain from exercising any dissenters' rights (including without limitation those set forth in Section 8) or rights of appraisal under applicable law at any time with respect to or in connection with such proposed Drag-Along Sale; and (iv) take all actions reasonably necessary to consummate the proposed Drag-Along Sale, including without limitation amending the then existing Restated Articles. All proceeds derived from a Dragged-Along Sale shall be distributed among the holders of Preferred Shares and holders of Common Shares in accordance with the Restated Articles. Notwithstanding any provision to the contrary, the share transfer restrictions of Section 4 of this Agreement shall not apply to any transfers made pursuant to this Section 5, provided that there shall be no Drag-Along Sale in the event that the Preferred Holders other than the Drag-Along Shareholders (the "**Minority**") shall agree to purchase all Shares proposed to be sold by the Drag-Along Shareholders on the same terms as the proposed Drag-Along Sale within 10 Business Days after receipt by the Minority of the Drag Along Notice (as defined below) (the "**Minority Purchase Right**"), in which case all proceeds derived from such sale shall be distributed among the holders of Preferred Shares (other than the Minority exercising the Minority Purchase Right) and holders of Common Shares in accordance with the Restated Articles. The Minority Purchase Right shall be exercised by the Minority in the manner set forth in Sections 5.6 and 5.7 below. For the purpose of this Section 5, as required by the context, (i) the shareholders who have the right to approve a Transfer of Shares or a proposed Trade Sale as set forth above are collectively referred to as the "**Drag-Along Shareholders**" and such Transfer of all Shares or a proposed Trade Sale each is referred as a "**Drag-Along Sale**"; and (ii) the purchaser in a Drag-Along Sale shall not be deemed a bona fide third party purchaser if (x) Xiaomi and Kingsoft, individually or in the aggregate, directly or indirectly owns or controls the voting of more than 30% of the total outstanding equity interest in such purchaser, (y) such purchaser directly or indirectly owns or controls the voting of more than 30% of the total outstanding equity interest in Xiaomi or Kingsoft, or (z) there exists a Person that directly or indirectly owns or controls the voting of more than 30% of the total equity interest in both such purchaser and any of Xiaomi and Kingsoft.

5.2 Representation and Undertaking.

(a) Any such sale or disposition by the Dragged Shareholders shall be on the terms and conditions as the proposed Drag-Along Sale by the Drag-Along Shareholders. Subject to Section 5.3, such Dragged Shareholders shall be required to make customary and usual representations and warranties in connection with the Drag-Along Sale, including, without limitation, those as to their ownership and authority to sell, free of all liens, claims and encumbrances of any kind other than customary permitted liens, the Shares proposed to be transferred or sold by such persons or entities; and such sale or transfer not constituting a violation or breach of or default under (with or without the giving of notice or the lapse of time or both) any law or regulation applicable to such Dragged Shareholders or any material contract to which such Dragged Shareholders is a party or by which they are bound, and shall, severally and not jointly, indemnify and hold harmless the purchasers against all costs, damages, expenses, losses, judgments or liabilities for any breach or alleged breach of any representation or warranty made by such Dragged Shareholders under the terms of the agreements relating to such

Drag-Along Sale, which indemnification shall be limited, in the aggregate, to each such Dragged Shareholder's pro rata share of the indemnification amount and in no event exceed the amount of consideration actually paid to such Dragged Shareholder in connection with such Drag-Along Sale.

(b) Subject to Section 5.3 hereof, each of the Dragged Shareholders undertakes to obtain all consents, permits, approvals, orders, authorizations or registrations, qualifications, designations, declarations or filings with any governmental authority or any third party (the "**Consents**"), which are required to be obtained or made in connection with the Drag-Along Sale; provided, that such Consents should be obtained or made without significant expenses. Each of the Drag-Along Shareholders and the Dragged Shareholders further undertakes to pay its pro rata share of costs and expenses arising out of or in connection with the Drag-Along Sale.

5.3 Drag-Along Notice. Prior to making any Drag-Along Sale in which the Drag-Along Shareholders wish to exercise their rights under this Section 5, the Drag-Along Shareholders shall provide the Company and the Dragged Shareholders with written notice (the "**Drag-Along Notice**") not less than thirty (30) days prior to the proposed date of closing of the Drag-Along Sale (the "**Drag-Along Sale Date**"). The Drag-Along Notice shall set forth: (a) the name and address of the purchasers; (b) the proposed amount and form of consideration to be paid, and the terms and conditions of payment offered by each of the purchasers; (c) the Drag-Along Sale Date; (d) the number of shares held of record by the Drag-Along Shareholders on the date of the Drag-Along Notice which form the subject to be transferred, sold or otherwise disposed of by the Drag-Along Shareholders; and (e) the number of Shares of the Dragged Shareholders to be included in the Drag-Along Sale, as applicable. In the event that the Drag-Along Sale Date does not occur within ninety (90) days after the date of the Drag-Along Notice, the shareholders of the Company shall have no obligations to sell their Shares unless they receive a new Drag-Along Notice or otherwise agree with the purchaser(s) in writing.

5.4 Transfer Certificate. In the event that the Drag-Along Sale is structured as sale of Shares, on the Drag-Along Sale Date, each of Drag-Along Shareholders and the Dragged Shareholders shall each deliver or cause to be delivered an instrument of transfer and a certificate or certificates evidencing its Shares to be included in the Drag-Along Sale, duly endorsed for transfer with signatures guaranteed, to such third party purchasers in the manner and at the address indicated in the Drag-Along Notice.

5.5 Payment. In the event that the Drag-Along Sale is structured as sale of Shares, the consideration per share to be paid to the Dragged Shareholders and the Drag-Along Shareholders pursuant to the proposed Drag-Along Sale shall be determined with reference to Article 65(2) of the Restated Articles. If the Drag-Along Shareholders or the Dragged Shareholders receive the purchase price for their Shares or such purchase price is made available to them as part of a Drag-Along Sale and, in either case they fail to deliver the relevant signed instruments of transfer and the certificates evidencing their Shares as described in this Section 5, they shall for all purposes be deemed to have agreed to a transfer of their Shares to the purchaser (and the register of members of the Company shall be updated to reflect such

status), shall have no voting rights, shall not be entitled to any dividends or other distributions with respect to any Shares held by them, shall have no other rights or privileges as a shareholder of the Company and, in the event of liquidation of the Company, their rights with respect to any consideration they would have received if they had complied with this Section 5, if any, shall be subordinate to the rights of any equity holder. In addition, the Company shall stop any subsequent transfer of any such shares held by such shareholders.

5.6 Minority Purchase Right. The Minority shall deliver a written notice (the "**Minority Notice**") to the Drag-Along Shareholders and the Company within 10 Business Days after receipt by the Minority of the Drag Along Notice stating that the Minority intend to purchase such number of Common Shares or Conversion Shares held by the Drag-Along Shareholders on the same terms as proposed by the prospective purchaser in the

Drag-Along Sale, including, the purchase price and terms of payment associated with such sale and the proposed closing date of such sale.

5.7 Closing of Minority Purchase. At the closing of the transaction to be entered into pursuant to the Minority Purchase Right, the Minority shall remit to each of the Drag-Along Shareholders the same per share consideration (the cash portion of which shall be paid by delivery of a certified check or wire transfer of immediately available funds to an account designated by each Drag-Along Shareholder) for each Share purchased by the Minority pursuant to the Minority Purchase Right against delivery by each of the Drag-Along Shareholders of certificates for all Shares to be sold by the Drag-Along Shareholders, duly endorsed or with duly executed stock powers.

5.8 Term. The provisions under this Section 5 shall terminate upon the earlier to occur of:

(a) the closing of an initial public offering of the Company; and

(b) a Trade Sale (as defined above).

6. ASSIGNMENT AND AMENDMENT.

6.1 Assignment. Notwithstanding anything herein to the contrary:

(a) Information and Inspection Rights; Registration Rights. The rights of the Investors under Section 1.1 may be assigned to any holder of Preferred Shares, and the registration rights of the Holders under Section 2 may be assigned to any Holder or to any person acquiring Registrable Securities in a permitted transfer provided that no party may assign any of such registration rights to any entity that is organized or domiciled in the PRC; and provided further, that in either case no party may be assigned any of the foregoing rights unless the Company is given written notice by the assigning party stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned; and provided, further, that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 6.

(b) Rights of First Offer; Right of First Refusal; Co-Sale Rights; Drag-Along Rights. The rights of each Investor or each holder of Preferred Shares under Sections 3, 4 and 5 are fully assignable in connection with a permitted transfer of Shares of the Company by such Investor or such holder of Preferred Shares, as the case may be; provided, however, that no party may be assigned any of the foregoing rights unless the Company is given written notice by such assigning party at the time of such assignment, stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned; and provided, further, that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 6.

6.2 Amendment of Rights. Any term of this Agreement may be amended only with the written consent of the Company, the holders of a majority of the Preferred Shares, provided, however, that any amendments to any rights of the Founders, other holders of Common Shares, the holders of Series A-1 Shares, the holders of Series B Shares, the holders of Series C Shares, the holders of Series D Shares, or the holders of Series E Shares, as the case may be, shall require the prior written approval of the Founders, the holders of at least a majority of then outstanding Common Shares, the holders of a majority of then outstanding Series A-1 Shares, the holders of a majority of then outstanding Series B Shares, the holders of a majority of then outstanding Series C Shares, the holders of a majority of then outstanding Series D Shares, or the holders of at least 75% of then outstanding Series E Shares, as the case may be, each voting together as a separate class; provided, further, that any parties hereto may waive any of its rights hereunder without obtaining the consent of any other party. Any amendment or waiver effected in accordance with this Section 6.2 shall be binding upon the parties hereto and their respective assigns.

7. CONFIDENTIALITY, NON-DISCLOSURE AND NON-COMPETE.

7.1 Disclosure of Terms. The terms and conditions of this Agreement, the Series A Subscription Agreement, the Series B Subscription Agreement, the Series C Subscription Agreement, the Series D Share Purchase Agreement, the Xiaomi Share Purchase Agreement, the Share Purchase Agreement and all exhibits and schedules attached to such agreements, including their existence, and the record and beneficial ownership of the Series C Investors (collectively, the "**Financing Terms**") shall be considered confidential information and shall not be disclosed by any party hereto to any third party except in accordance with the provisions set forth below; provided that such confidential information shall not include any information that is in the public domain other than caused by the breach of the confidentiality obligations hereunder.

7.2 Press Releases. Any press release issued by the Company shall not disclose any of the Financing Terms and the final form of such press release shall be approved in advance in writing by all of the Investors, which approval shall not be unreasonably withheld. No other announcement regarding any of the Financing Terms in a press release, conference, advertisement, announcement, professional or trade publication, mass marketing materials or otherwise to the general public may be made without the Investors' prior written consent.

7.3 Permitted Disclosures. Notwithstanding the foregoing, any party may disclose any of the Financing Terms or confidential information obtained from the Company to its current or bona fide prospective investors, employees, investment bankers, lenders, partners, accountants and attorneys on a need-to-know basis, in each case only where such persons or entities are under appropriate nondisclosure obligations (the "**Permitted Disclosures**"). Without limiting the generality of the foregoing, the Investors and any Group Company's directors designated by the holders of Preferred Shares shall be entitled to disclose the Financing Terms and other information related to the Company or any Subsidiary for the purposes of fund reporting or inter-fund reporting or to their fund manager, other funds managed by their fund manager and their respective auditors, counsel, directors, officers, employees, shareholders or investors, or as required by law, government authorities, exchanges and/or regulatory bodies, including the SEC (or the equivalent in other jurisdictions).

7.4 Legally Compelled Disclosure. In the event that any party is requested or becomes legally compelled (including without limitation, pursuant to securities laws and regulations) to disclose the existence of this Agreement, the Series A Subscription Agreement, the Series B Subscription Agreement, the Series C Subscription Agreement, the Series D Share Purchase Agreement, the Xiaomi Share Purchase Agreement, the Share Purchase Agreement and any of the exhibits and schedules attached to such agreements, or any of the Financing Terms hereof in contravention of the provisions of this Section 7, such party (the "**Disclosing Party**") shall provide the other parties (the "**Non-Disclosing Parties**") with prompt written notice of that fact and use all reasonable efforts to seek (with the cooperation and reasonable efforts of the other parties) a protective order, confidential treatment or other appropriate remedy. In such event, the Disclosing Party shall furnish only that portion of the information which is legally required to be disclosed and shall exercise reasonable efforts to keep confidential such information to the extent reasonably requested by any Non-Disclosing Party.

7.5 Company Confidential Information. Each of the Investors agrees that it will keep confidential and will not disclose, divulge or use for any purpose, other than (i) to monitor its investment in the Company and (ii) with respect to Xiaomi or Kingsoft, as the case may be, subject to any confidentiality obligation as provided in the business cooperation agreement executed or to be executed by Xiaomi or Kingsoft, as the case may be, or its Affiliate and the applicable Group Company, to conduct any business cooperation with the Group Companies under such agreement, any confidential information obtained from any Group Company pursuant to Section 1 of this Agreement, unless such confidential information (i) is known or becomes known to the public in general (other than as a result of a breach of this Section 7), (ii) is or has been independently developed or conceived by such Investor without use of any Group Company's confidential information or (iii) is or has been made known or disclosed to such Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company or any other Group Company; provided, however, that such Investor may disclose confidential information (a) pursuant to Permitted Disclosures as defined in Section 7.5, or (b) to any associate, partner, member, shareholder or wholly owned subsidiary of such Investor in the ordinary course of business, or (c) as may otherwise be

required by law, provided that such Investor has taken reasonable steps to minimize the extent of any such required disclosure.

7.6 Investors' Non-Compete. If any Investor (other than Xiaomi and Kingsoft) or any of its Affiliates becomes a Competitor (as such term is applicable to such Investor or Affiliates), (A) the right of such Investor to appoint its Director or observer of the Company or any Subsidiary pursuant to Section 1.3(b)(ii), Section 1.3(b)(iii) or Section 1.3(b)(v) of this Agreement shall terminate, as the case may be, (B) the Board of Directors of the Company is entitled to remove the Director or observer so appointed by such Investor in accordance with the terms of this Agreement and the Restated Articles, (C) except as required by law and subject to Section 1.1(a), the right of such Investor to any other non-public information of any Group Company shall terminate.

7.7 Founders' Non-Compete. Each Founder hereby covenants and undertakes that he shall devote substantially one hundred percent (100%) of his working time and attention to the business of the Group Companies, and use his best efforts to develop the business and care for the interests of the Group Companies. Each Founder hereby further covenants and undertakes that, during the period when he holds any direct or indirect equity interest in any Group Company and for a further period of twenty four (24) months thereafter, without the prior written consent of the holders of at least 75% of Series E Shares and a majority of the Series D Holders, he shall not, and shall ensure that the companies that such Founder directly or indirectly controls or holds at least three percent (3%) equity interests in (other than the Company and its direct and indirect subsidiaries) do not, directly or indirectly, (i) compete with the business of any Group Company, (ii) induce or attempt to induce any client, customer, supplier, licensee or other business relation of any Group Company to do business with it (other than for the sole benefit of the Group Companies) or to reduce or cease doing business with any Group Company (such business includes providing downloading or online video services, or downloading, online video and storage services provided through cloud technology, or online games, but excludes content resale), or in any way interfere with the relationship between any such client, customer, supplier, licensee or business relation, on the one hand, and any Group Company, on the other hand or (iii) induce or attempt to induce any employee, salesperson or representative of any Group Company to leave the employment of any Group Company, or in any way interfere with the relationship between any Group Company, on the one hand, and any employee, salesperson or representative thereof, on the other hand, unless, in each case of (i), (ii) and (iii), the approval of at least six (6) affirmative votes of the Board, including the affirmative vote of one (1) Xiaomi Director and the Kingsoft Director and at least three (3) affirmative votes of any of the Series D Director, the Morningside Director or the IDG Director, has been obtained by such Founder, provided that, affirmative votes by Directors appointed by such Founder shall not be counted towards the number of affirmative votes of the Board so required.

7.8 Other Information. The provisions of this Section 7 shall be in addition to, and not in substitution for, the provisions of any separate nondisclosure agreement executed by any of the parties with respect to the transactions contemplated hereby

7.9 Notices. All notices required under this Section 7 shall be made pursuant to Section 11 of this Agreement.

8. PROTECTIVE PROVISIONS.

8.1 Acts Requiring Majority Approval of Series E Shares. In addition to such other limitations as may be provided under applicable laws and in the Restated Articles, so long as the Series E Holders continue to hold at least ten percent (10%) of the Company's total Shares on an as converted basis, none of the following actions shall be carried out by the Company or any Group Company, except with the prior written consent of the holders of at least 75% of the then outstanding Series E Shares, voting together as a single class, whether by amendment, merger, amalgamation, consolidation, scheme of arrangement or otherwise (for the purposes of this Section 8, the term "**Company**" means, unless where wholly inapplicable, the Company and the Subsidiaries):

(a) any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of the Series E Shares;

(b) any action that authorizes, creates or issues any class of the Company securities including without limitation those having rights, preferences or privileges superior to or on a parity with any Series E Shares;

(c) any action that increases or decreases the authorized number of the Series E Shares or any increase or decrease in the authorized share capital of the Series E Shares;

(d) any action that reclassifies any outstanding shares into shares having preferences or priority as to dividends or assets senior to or on a parity with the preference of the Series E Shares;

(e) any increase, decrease or change of the share capital of the Company, except for purpose of the implementation of the ESOP;

(f) cease to conduct or carry on the principal business of any Group Company substantially as currently conducted;

(g) sell, lease or dispose of all or a substantial part of the undertaking, goodwill or assets of any Group Company;

(h) increase, reduce or cancel the authorized or issued share capital of any Group Company or issue, allot, purchase or redeem any shares or securities convertible into or carrying a right of subscription in respect of shares or any share warrants or grant or issue any options rights or warrants or which may require the issue of shares in the future or do any act which has the effect of diluting or reducing the effective shareholding of any Series E Investor in the Company, except for purpose of the implementation of the ESOP;

(i) settle, adopt or alter the terms of any profit sharing scheme or any employee share option or share participation schemes (including the ESOP);

(j) amend the accounting policies currently adopted by the Company or change the fiscal year of the Company;

(k) appoint or change the auditors of any Group Company;

(l) borrow any money or obtain any financial facilities except pursuant to trade facilities obtained from banks or other financial institutions in the ordinary course of business;

(m) create, allow to arise or issue any debenture constituting a pledge, lien or charge (whether by way of fixed or floating charge, mortgage encumbrance or other security) on all or any of the undertaking, assets or rights of the Company and/or any Subsidiary except for the purpose of securing borrowings from banks or other financial institutions in the ordinary course of business not exceeding RMB500,000 (or its equivalent in other currency or currencies) in a single transaction or not exceeding RMB2,000,000 in the aggregate in any financial year;

(n) sell, transfer, license, charge, encumber or otherwise dispose of any trademarks, patents or other intellectual property owned by any Group Company that are material or critical to the business of the Group Companies;

(o) pass any resolution for the winding up of any Group Company or undertake any merger, reconstruction or liquidation exercise concerning any Group Company except for those that are solely in connection with restructuring for tax purposes which would not have adverse impact on the condition of the Group Companies (business, financial or otherwise) and the benefits and interests of any Series E Investor;

(p) approve or make adjustments or modifications to terms of any transaction or series of transactions between any Group Company on one hand and any of its shareholder, director, senior manager at the VP (or the higher) level or any of their affiliates or any shareholder, director, senior manager at the VP (or the higher) level of such affiliates on the other hand, including but not limited to the making of any loans or advances, whether directly or indirectly, or the provision of any guarantee, indemnity or security for or in connection with any indebtedness of liabilities of any director or shareholder of the Company/and/or its subsidiaries;

(q) dispose of or dilute the Company's equity interests, directly or indirectly, in any other Group Company;

(r) any material change to the five-year business plan and forecast of the Company provided to each Series E Investor prior to the date hereof as attached hereto as Exhibit I, and any material change to the budget of the Company provided to each Series E Investor; and any transaction outside or in divergence of such business plan, forecast or budget;

(s) initiate or settle any material suit, arbitration or similar proceeding in relation to any Group Company;

(t) any increase of compensation by more than 20% for any of the five most-highly paid employees of the Company; or

(u) any activity out of the ordinary course of business of any Group Company.

8.2 Acts Requiring Majority Approval of Series D Shares. In addition to such other limitations as may be provided under applicable laws and in the Restated Articles, so long as the Series D Threshold (as defined in Section 1.3(b)(ii) above) is met, none of the following actions shall be carried out by the Company or any Group Company, except with the prior written consent of the holders of at least a majority (51%) of the then outstanding Series D Shares, voting together as a single class, whether by amendment, merger, amalgamation, consolidation, scheme of arrangement or otherwise:

(a) any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of the Series D Shares;

(b) any action that authorizes, creates or issues any class of the Company securities having rights, preferences or privileges superior to or on a parity with any Series D Shares or any other securities of the Company;

(c) any action that increases or decreases the authorized number of the Series D Shares or any increase or decrease in the authorized share capital of the Series D Shares;

(d) any action that reclassifies any outstanding shares into shares having preferences or priority as to dividends or assets senior to or on a parity with the preference of any of the Series D Shares; and

(e) the appointment of an accounting firm not one of the "Big 4" accounting firms to be the auditor of any Group Company;

provided that none of the Company or any Group Company shall carry out any of the following without the prior consent of the holders of at least a majority (51%) of the outstanding Series D Shares, voting together as a single class:

(i) an initial public offering of any Group Company, unless the offering is a Qualified IPO; and

(ii) any (w) sale, lease, transfer or other disposition of all or substantially all of the assets of the Company; (x) transfer or an exclusive licensing of all or substantially all of the intellectual property of the Company; (y) sale, transfer or other disposition of a majority of the issued and outstanding share capital of the Company or a majority of the voting power of the Company; or (z) merger, consolidation or other business combination of the Company with or into any other business entity in which the shareholders of the Company immediately after such merger, consolidation or business combination hold shares representing less than a majority of the voting power of the outstanding share capital of the surviving business entity, in each case, with a total consideration value ("**Trade Sale Consideration Value**") of less than US$1,300,000,000, provided that if the counterparty in any transaction under (i) or (ii) above has assumed less than all of the liabilities of the Company, then the value of the remaining liabilities of the Company shall be subtracted from the total consideration value of such transaction for purposes of determining whether the Trade Sale Consideration Value of such transaction is less than US$1,300,000,000 pursuant to this Section 8.2.

8.3 Acts Requiring Majority Approval of Series C Shares. In addition to such other limitations as may be provided under applicable laws and in the Restated Articles, for as long as the Series C Holders continue to hold at least ten percent (10%) of the Company's total Shares on an as converted basis, none of the following actions shall be carried out by the Company or any Group Company, except with the prior written consent of the holders of at least a majority (51%) of the then outstanding Series C Shares, voting together as a single class, whether by amendment, merger, amalgamation, consolidation, scheme of arrangement or otherwise:

(a) any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, the Series C Shares;

(b) any action that authorizes, creates or issues any class of the Company securities having rights, preferences or privileges superior to or on a parity with any Series C Shares or any other securities of the Company;

(c) any action that increases or decreases the authorized number of the Series C Shares or any increase or decrease in the authorized share capital of the Series C Shares; and

(d) any action that reclassifies any outstanding shares into shares having preferences or priority as to dividends or assets senior to or on a parity with the preference of any of the Series C Shares.

8.4 Acts Requiring Majority Approval of Series B Shares. In addition to such other limitations as may be provided under applicable laws and in the Restated Articles, for as long as the Series B Holders continue to hold at least ten percent (10%) of the Company's total Shares on an as converted basis, the following acts of the Company shall require the prior written approval of the holder(s) of at least a majority (51%) of the outstanding Series B Shares, voting together as a single class:

(a) any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, Series B Shares;

(b) any action that authorizes, creates or issues any class of the Company securities having rights, preferences or privileges superior to or on a parity with any class of Series B Shares or any other securities of the Company;

(c) any action that increases the authorized number of the Series B Shares, or any increase or decrease in the authorized share capital of the Company;

(d) any consolidation or merger with or into any other business entity or the sale, lease, transfer or other disposition of all or substantially all the assets of the Company or the license out of all or substantially all of the Company's intellectual property rights, in each case in transactions with a total consideration value less than US$100,000,000; and

(e) any action that reclassifies any outstanding shares into shares having preferences or priority as to dividends or assets senior to or on a parity with the preference of any of the Series B Shares.

8.5 Acts Requiring Majority Approval of Series A-1 Shares. In addition to such other limitations as may be provided under applicable laws and in the Restated Articles, for as long as the Series A-1 Holders continue to hold at least ten percent (10%) of the Company's total Shares on an as converted basis, the following acts of the Company shall require the prior written approval of the holder(s) of at least a majority (51%) of the outstanding Series A-1 Shares, voting together as a single class, which consent shall not be unreasonably withheld, provided however that in no event shall the dividend, voting, liquidation and conversion rights of the Series A-1 Shares as set forth in the Restated Articles be altered without the prior written approval of the holders of a majority of the Series A-1 Shares:

(a) any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, Series A-1 Shares;

(b) any action that authorizes, creates or issues any class of the Company securities having rights, preferences or privileges superior to or on a parity with any class of Series A-1 Shares or any other securities of the Company;

(c) any action that increases the authorized number of the Series A-1 Shares, or any increase or decrease in the authorized share capital of the Company;

(d) any consolidation or merger with or into any other business entity or the sale, lease, transfer or other disposition of all or substantially all the assets of the Company or the license out of all or substantially all of the Company's intellectual property rights, in each case in transactions with a total consideration value less than US$100,000,000; and

(e) any action that reclassifies any outstanding shares into shares having preferences or priority as to dividends or assets senior to or on a parity with the preference of any of the Series A-1 Shares.

8.6 Acts Requiring Requisite Consent of Series E, Series D, Series B and Series A-1 Shares. In addition to such other limitations as may be provided under applicable laws and in the Restated Articles, for as long as each of the Series B Holders and the Series A-1 Holders continue to hold at least ten percent (10%) of the Company's total Shares on an as converted basis, the following acts of the Company shall require the prior written approval of both the holder(s) of at least a majority (51%) of the outstanding Series B Shares, and the holder(s) of at least a majority (51%) of the outstanding Series A-1 Shares, each voting separately as a single class. (If either the Series B Holders or the Series A-1 Holders do not hold at least ten percent (10%) of the Company's total Shares, such acts will only require the requisite consent of the class of Series B or Series A-1 holders, as the case may be, which continue to hold such 10% of the total Shares on an as converted basis.) In addition, for as long as the Series D Holders continue to meet the Series D Threshold, the following acts of the Company shall require the prior written approval of the holder(s) of at least a majority (51%) of the outstanding Series D Shares. In addition, for as long as the Series E Holders continue to hold at least ten percent (10%) of the Company's total Shares on an as converted basis, the following acts of the Company shall require the prior written approval of the holder(s) of at least 75% of the outstanding Series E Shares:

(a) any action that repurchases, redeems or retires any of the Company's voting securities other than pursuant to any redemption rights provided in the Restated Articles, or contractual rights to repurchase Common Shares from employees, directors or consultants of the Company or its subsidiaries at the lower of (i) the original purchase price paid by such employees, directors or consultants for such Common Shares or (ii) the fair market value of such Common Shares, which shall be a price set by the Board upon termination of their employment or services or pursuant to the terms of the ESOP or pursuant to the exercise of a contractual right of first refusal held by the Company, or the Company's Transfer, repurchase and cancellation of the Treasury Shares;

(b) any amendment of the Restated Articles or other constitutional documents;

(c) the dissolution, liquidation or winding up, the initiation of bankruptcy proceedings, or application for appointment of a receiver, judicial manager or the like;

(d) the declaration or payment of any dividend on any Shares of any Group Company or the decision not to declare the distributable profits of any Group Company as dividends;

(e) any change in the number of directors of the Company; and

(f) any initial public offering or public offering of any debt or equity securities of any Group Company, unless the offering is a Qualified IPO or is otherwise approved by at least five (5) members of the Board, including one (1) Xiaomi Director, the Kingsoft Director and the Series D Director.

8.7 Acts Requiring Super-majority Approval of the Board. In addition to such other limitations as may be provided under applicable laws and in the Restated Articles and subject to Section 8.1, any of the following acts of the Company shall require at least five (5) affirmative votes of the Board, including the affirmative vote of at least three (3) affirmative votes of any of the Series E Directors, the Series D Director, the Morningside Director or the IDG Director:

(a) extension of any loan or advance to, or ownership of any stock or other securities of, any subsidiary or other corporation, partnership, or other entity in excess of US$800,000 unless such entity is wholly owned by a Group Company or such loan is used to increase the registered capital of a Group Company;

(b) extension of any loan or advance to any person, including, without limitation, any employee or director of the Company, except such temporary advances and similar expenditures below US$50,000 as are incurred in the ordinary course of business or under the terms of the ESOP;

(c) directly or indirectly guarantee any indebtedness for any person other than affiliates of the Company, and except for trade accounts of any of the Group Companies arising in the ordinary course of business;

(d) incurrence of any indebtedness in excess of US$2,000,000 individually or in the aggregate in a series of related transactions during any fiscal year that is not included in the

budget approved by the Board, other than trade credit or working capital loans incurred in the ordinary course of business;

(e) the repayment, termination or cancellation of any indebtedness from proceeds to the Company of the sale of Series B Shares pursuant to the Series B Subscription Agreement;

(f) any transaction or series of transactions between the Company and any shareholder, director, officer or employee of the Company or their Affiliates;

(g) any incurrence of any security interest (other than equipment leases or bank line of credit), lien or other encumbrance on any assets of the Company;

(h) any material change in the Company's business plan, change of the principal business of the Company, entry into new lines of business, or exit of the current line of business of any Group Company;

(i) the approval or amendment of the Company's annual budget;

(j) the appointment or removal of the auditors of any Group Company and the determination of their fees, remuneration or other compensation;

(k) any initial public offering or public offering of any debt or equity securities of any Group Company;

(l) determination of the compensation of the Founders, the CEO and the CFO of the Company, provided that, with respect to the determination of the compensation of a Founder, affirmative votes by Directors appointed by such Founder shall not be counted towards the number of affirmative votes of the Board required for such action;

(m) appointment and removal of the CFO of the Company;

(n) the acquisition or leasing of any real estate by the Company, other than commercial office, manufacturing or warehouse space used in the ordinary course of business;

(o) any action that repurchases, redeems or retires any of the Company's voting securities other than pursuant to any redemption rights provided in the Restated Articles or contractual rights to repurchase Common Shares from employees, directors or consultants of the Company or its subsidiaries at the lower of (i) the original purchase price paid by such employees, directors or consultants for such Common Shares or (ii) the fair market value of such Common Shares, which shall be a price set by the Board upon termination of their employment or services or pursuant to the terms of the ESOP or pursuant to the exercise of a contractual right of first refusal held by the Company, or the Company's Transfer, repurchase and cancellation of the Treasury Shares;

(p) sale, transfer, license, pledge of or creation of encumbrance over technology or intellectual property of the Company, other than licenses granted in the ordinary course of business; and

(q) consolidation or merger with or into any other business entity or the sale, lease, transfer or other disposition of all or substantially all the assets of the Company or the license out of all or substantially all of the Company's intellectual property rights.

8.8 Approval of M&A Matters. In addition to such other limitations as may be provided under applicable laws and in the Restated Articles and subject to Section 8.1, any merger or acquisition transaction of the Company with a total consideration value of more than US$10,000,000 shall require at least six (6) affirmative votes of the Board, including at least three (3) affirmative votes of any of the Series E Directors, the Series D Director, the Morningside Director or the IDG Director.

8.9 Acts Requiring Special Approval of the Board. In addition to such other limitations as may be provided under applicable laws and in the Restated Articles and subject to Section 8.1, any of the following acts of the Company shall require at least five (5) affirmative votes of the Board, provided that any Director with a conflict of interest shall be required to abstain from voting in any Board decisions relating to the actions in which such Director has a conflict of interest:

(a) any investment or incurrence of any commitment to invest in excess of US$5,000,000 at any time in respect of any single transaction or in excess of US$20,000,000 at any time through a series of related transactions in any fiscal year of any Group Company, other than investments in prime commercial paper, money market funds, certificates of deposit in any international bank having a net worth in excess of US$100,000,000 or obligations issued or guaranteed by the United States or other sovereign government, in each case having a maturity not exceeding two (2) years (if any such investments are proposed to be made in any person or entity in which any of the Investors is a shareholder, the Director appointed by such Investor shall be deemed to have a conflict of interest for purposes of this Section 8.9(a) and shall abstain from voting in any Board discussion or action regarding such investments);

(b) the adoption or amendment of the ESOP or any other employee equity incentive plans (if any such proposed adoption or amendment of the ESOP or employee equity incentive plans would affect the equity ownership of a Founder in the Group Companies or otherwise relates to a Founder, such Founder Directors shall be deemed to have a conflict of interest for purposes of this Section 8.9(b) and shall abstain from voting in any Board discussion or action regarding actions described in this Section 8.9(b);

(c) appointment and removal of the CEO of the Company (Zou Shenglong shall not be deemed to have a conflict of interest for purposes of this Section 8.9(c) and shall be entitled to vote in any Board discussion or action regarding such appointment or removal); and

(d) the establishment of any other brands for companies other than current brands of the Group Companies.

8.10 Senior Management Appointment. The Investors and the Company agree that the power to appoint, remove, dismiss and/or terminate the employment of the Chief Executive Officer ("**CEO**") and the Chief Financial Officer of each Group Company shall vest with

the Board, requiring consent of five (5) directors, including one (1) Xiaomi Director, the Kingsoft Director, the Series D Director and at least two of the Founder Directors. The CEO so appointed by the Board shall have power to appoint, remove, dismiss and/or terminate the employment of the Managing Director, Chief Operating Officer, Chief Technical Officer and Vice Presidents, or their equivalents (all such officers, the "**Senior Management Personnel**") and other officers and other employees of any Group Company, other than the Chief Financial Officer (who shall be appointed, removed and/or terminated by the Board), and provided, however, that the remuneration of such Senior Management Personnel shall be subject to the approval of the Board.

8.11 Termination of Rights. The rights set forth in this Section 8 shall terminate upon the earlier of:

(i) closing of an initial public offering of the Company; or

(ii) a Liquidation Event or Deemed Liquidation Event, as such terms are defined in the Restated Articles.

9. EMPLOYEE OPTIONS.

9.1 The Board shall have power to grant incentive awards, including options, restricted shares, restricted share units and any other types of incentive awards (such awards, the "**2010 Options**") to full-time employees, directors (other than the Founder Directors and the Founders), officers and consultants of any Group Company in accordance with 2010 ESOP; provided that:

(a) the total number of Shares issued pursuant to such 2010 Options and the total number of Shares for the time being subject to such 2010 Options pursuant to the 2010 ESOP shall not in aggregate exceed 26,822,828 Shares (as proportionally adjusted for any combination, consolidation, sub-division or split up of any Common Shares or any new issue of Preferred Shares).

(b) each such grant under the 2010 ESOP shall be on such terms (including as to conditions of vesting and exercise and exercise price) as shall be approved by the Board, but in any event the Board shall not allow any option to be exercised prior to an initial public offering or Trade Sale. Subject to these restrictions, 2010 Options shall vest over not less than a four-year period with the first 25% of such shares vesting after twelve (12) months of continued employment or services, and the remaining shares vesting in equal monthly installments over the following thirty-six (36) months. Each of the parties hereto (with the exception of the Company) hereby waives any right of pre-emption which it may have or acquire in respect of any grant of employee share 2010 Options or issue of Shares on exercise pursuant to such option scheme up to the maximum number of Shares;

(c) all 2010 Options granted under the 2010 ESOP vested but not exercised by the holder thereof shall lapse automatically at the expiration of one (1) month after the date of termination of employment, directorship or service, as the case may be, with the Group

Companies (the Group Companies may however make other reasonable arrangements with the service providers who provide services to the Group on an assignment, case-by-case or job basis and are not officers or employees of the Company or subject to any contract of continuous services); and

(d) the Company shall retain a "right of first refusal" on transfers by any employee of Shares issued upon exercise of 2010 Options until an initial public offering or Trade Sale and the right to repurchase any such Shares obtained through exercise of 2010 Options held by the employees, directors and consultants granted under this Section 9.1, at a fair price as determined by the auditors of the Company upon termination of employment, directorship or service prior to an initial public offering or Trade Sale.

9.2 The Board shall have power to grant restricted shares to the senior management, counsels or consultant of the Company in accordance with the 2013 RS Plan, pursuant to which the total number of Shares issued pursuant to such plan and the total number of Shares for the time being subject to such plan shall not in aggregate exceed 9,073,732 Shares (as proportionally adjusted for any combination, consolidation, sub-division or split up of any Common Shares or any new issue of Preferred Shares).

9.3 The number of Shares to be repurchased by the Company from the shareholders of the Company pursuant to 5.1(b) of the Xiaomi Share Purchase Agreement (as defined in the Restated Articles) shall be held as treasury shares in the name of the Company and reserved for issuance to officers, directors, or employees of, or advisors or consultants to, the Group Companies as restricted shares for incentive purpose pursuant to the Series E Incentive Plan.

10. ADDITIONAL AGREEMENTS.

10.1 Qualified IPO. No later than February 6, 2017, the Company shall use its best efforts to complete a Qualified IPO. A "**Qualified IPO**" shall mean a firm commitment underwritten initial public offering by the Company of its Common Shares on the NASDAQ Global Market, the New York Stock Exchange, Hong Kong Stock Exchange (main board), Shenzhen Stock Exchange or Shanghai Stock Exchange.

10.2 Redemption Right.

(a) If a Qualified IPO has not occurred by February 28, 2017, the Series D Holders shall have the right (the "**Series D Redemption Right**"), at any time after February 28, 2017 but not later than February 28, 2018, to request the Company to purchase all Shares then held by the Series D Holders (the "**Series D Redemption**"), at a per share price which shall be equal to the aggregate amount of (x) the price paid per such Share pursuant to the Series D Share Purchase Agreement (as appropriately adjusted for any share split, share division, share combination, share dividend or similar events), plus (y) all declared but unpaid dividends and distributions on each such Share calculated up to and including the date of redemption plus interest of eight (8) percent per annum compounded annually from the date of the actual purchase of the Shares by the Series D Holders up to and including the date of redemption (the "**Series D Redemption Price**").

(b) At any time after March 1, 2018 but not later than March 1, 2019, the Series E Holders shall have the right (the "**Series E Redemption Right**") to request the Company to purchase all or any portion of the Series E Shares then held by the demanding Series E Holders (the "**Series E Redemption**"), at a per share price which shall be equal to the aggregate amount of (x) the Original Issue Price (as defined in the Restated Articles) applicable to each Series E Share (as appropriately adjusted for any share split, share division, share combination, share dividend or similar events), plus (y) interest on the Original Issue Price applicable to each Series E Share at a rate of fifteen percent (15%) per annum, compounded annually, from the actual issuance date of such Series E Share up to and including the date of redemption, plus (z) all declared but unpaid dividends and distributions on such Series E Share (the "**Series E Redemption Price**").

(c) Redemption Priority. In the event that any Series D Holder has elected to exercise its Series D Redemption Right pursuant to Section 10.2(a) and, prior to the payment by the Company of the aggregate Series D Redemption Price in full, any Series E Holder has elected to exercise its Series E Redemption Right pursuant to Section 10.2(b), (i) the Company shall first redeem all of the Shares requested by such Series D Holder to be redeemed and pay to such Series D Holder the full amount of the aggregate Series D Redemption Price, and (ii) the Company may not redeem, and no Series E Holder may cause the Company to redeem, any Series E Shares unless and until payment has been made in full in respect of the aggregate Series D Redemption Price.

10.3 Anti-Dilution Adjustment.

(a) All parties hereto acknowledge that (i) the anti-dilution right of the Series C Investors (the "**Series C Anti-dilution Right**") pursuant to Article 66(3)(a)(iv) of the Third Amended and Restated Articles of Association of the Company, adopted as of April 14, 2011, was triggered as a result of the Company's issuance of Series D Shares to the Series D Investor pursuant to the Series D Share Purchase Agreement, and (ii) the then effective Series C Conversion Price was adjusted by the Company to be US$4.14 as per Article 66(3)(a)(iv) of the Third Amended and Restated Articles of Association of the Company, in lieu of issuance of additional Shares to the Series C Investors, to fully satisfy the Series C Anti-dilution Right of the Series C Investors. Each Series C Investor hereby acknowledges and confirms that its Series C Anti-dilution Right has been fully and sufficiently compensated by the Company's such adjustment of the then effective Series C Conversion Price, and it will not further request to exercise any Series C Anti-dilution Right in connection with the issuance of the Series D Shares.

(b) All parties hereto acknowledge that (i) the anti-dilution right of Series C Shares held by CRP Holding Limited ("**CRP Holding**") and Series D Shares (the "**Series C/D Anti-dilution Right**") pursuant to Article 66(3)(a)(iv) of the Fourth Amended and Restated Articles of Association of the Company, dated February 6, 2012 and amended on January 29, 2014, was triggered as the result of the Company's issuance of Series E Shares to Xiaomi pursuant to the Xiaomi Share Purchase Agreement and to Kingsoft, Morningside and IDG TVI V pursuant to the Share Purchase Agreement, and (ii) the then effective applicable Conversion Prices with respect to Series C Shares and Series D Shares was adjusted by the Company to be US$3.63116696 (with respect to Series C Shares held by CRP Holding), and US$2.85991759 (with respect to Series D Shares) respectively, as per Article 66(3)(a)(iv) of the Fourth Amended

and Restated Articles of Association of the Company, in lieu of issuance of additional Shares to CRP Holding and the Series D Investor, to fully satisfy the Series C/D Anti-dilution Right of CRP Holding and the Series D Investor (the "**Agreed Adjustment**"). Each of CRP Holding and the Series D Investor hereby acknowledges and confirms that its Series C/D Anti-dilution Right has been fully and sufficiently compensated by the Company's such adjustment of the applicable Conversion Prices, and it will not further request to exercise any Series C/D Anti-dilution Right in connection with the issuance of the Series E Shares pursuant to the Xiaomi Share Purchase Agreement and the Share Purchase Agreement (but excluding, for the avoidance of doubt, any issuance of Series E Shares pursuant to the warrants relating thereto).

10.4 Repurchase of Shares held by Primavera. All parties hereto agree that the Company shall repurchase from Primavera 469,225 Common Shares, 27,180 Series A Shares, 591,451 Series A-1 Shares, 725,237 Series B Shares and 3,808,943 Series D Shares with a total consideration of US$24,275,665.3 on or before April 15, 2014. An interest rate of 15% per annum, compounded annually, shall apply to any such consideration not paid to Primavera on or before April 15, 2014, and Primavera shall deliver duly executed counterparts of the instrument(s) of transfer in respect of all of the repurchased Shares to the Company against the full payment of the repurchase consideration by the Company.

10.5 Dual Class Voting Structure. In the event that the Company shall implement a dual class voting structure (the "**Dual Class Structure**") immediately prior to (and effective subject to) the completion of the Company's initial public offering where the existing Common Shares and Common Shares issued or issuable upon conversion of the Preferred Shares will be re-designated into two (2) different classes of common shares carrying different voting rights, then the Common Shares held by the Founder Holdcos and Common Shares issued or issuable upon conversion of the Series E Shares shall be converted and re-designated into that class of common shares carrying greater voting rights.

11. GENERAL PROVISIONS.

11.1 Notices. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be conclusively deemed to have been duly given (a) when hand delivered to the other party, upon delivery; (b) when sent by facsimile at the number set forth in Exhibit G hereto, upon receipt of confirmation of error-free transmission; (c) seven (7) Business Days after deposit in the mail as air mail or certified mail, receipt requested, postage prepaid and addressed to the other party as set forth in Exhibit G; or (d) three (3) Business Days after deposit with an international overnight delivery service, postage prepaid, addressed to the parties as set forth in Exhibit G with next Business Day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider. Each person making a communication hereunder by facsimile shall promptly confirm by telephone to the person to whom such communication was addressed each communication made by it by facsimile pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication. A party may change or supplement the addresses given above, or

designate additional addresses, for purposes of this Section 11.1 by giving the other party written notice of the new address in the manner set forth above.

11.2 Entire Agreement. This Agreement, the Share Purchase Agreement and any Transaction Agreements (as defined in the Share Purchase Agreement), together with all the exhibits hereto and thereto, constitute and contain the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the parties respecting the subject matter hereof. Without limiting the generality of the foregoing, this Agreement supersedes, in its entirety, the Sixth Restated Shareholders Agreement, which shall terminate and have no further force or effect whatsoever as of the date of this Agreement, and the parties hereto hereby irrevocably waive any and all rights that they may have against any other party under the Sixth Restated Shareholders Agreement in exchange for their rights hereunder.

11.3 Governing Law. This Agreement shall be governed by and construed exclusively in accordance with the internal laws of the State of New York.

11.4 Severability. If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the parties. In such event, the parties shall use best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most nearly effects the parties' intent in entering into this Agreement.

11.5 Third Parties. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties hereto and their permitted successors and assigns any rights or remedies under or by reason of this Agreement.

11.6 Successors and Assigns. Subject to the provisions of Section 6.1, the provisions of this Agreement shall inure to the benefit of, and shall be binding upon, the successors and permitted assigns of the parties hereto.

11.7 Interpretation; Captions. This Agreement shall be construed according to its fair language. The rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in interpreting this Agreement. The captions to sections of this Agreement have been inserted for identification and reference purposes only and shall not be used to construe or interpret this Agreement. Unless otherwise expressly provided herein, all references to Sections and Exhibits herein are to Sections and Exhibits of this Agreement.

11.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.9 Adjustments for Share Splits, Etc. Wherever in this Agreement there is a reference to a specific number of shares of Series A-1 Shares, Series A Shares, Series B Shares, Series C Shares, Series D Shares, Series E Shares or Common Shares of the Company, then, upon the occurrence of any subdivision, combination or share dividend of the Series A-1 Shares, Series A Shares, Series B Shares, Series C Shares, Series D Shares, Series E Shares or Common Shares, the specific number of shares so referenced in this Agreement shall automatically be proportionally adjusted to reflect the effect on the outstanding shares of such class or series of shares by such subdivision, combination or share dividend.

11.10 Future Significant Common Holders. Except with the written consent of the holders of at least 75% of then outstanding Series E Shares, the holders of at least a majority of then outstanding Series D Shares, the holders of at least a majority of the then outstanding Series C Shares and the holders of at least a majority of then outstanding Series B Shares, each voting together as a separate class, the Company covenants that, until the completion of the initial public offering of the Company's securities, it will cause each Partner (to the extent such Partner directly holds any Common Shares) and all future holders of the Common Shares to join this Agreement as a party. The parties hereby agree that such future holders may become parties to this Agreement by executing an instrument of accession to this Agreement in a standard and customary form reasonably satisfactory to the Company, without any amendment of this Agreement, pursuant to this Section 11.10.

11.11 Shareholders Agreement to Control. If and to the extent that there are inconsistencies between the provisions of this Agreement and those of the Restated Articles, the terms of this Agreement shall control with respect to each of the shareholders of the Company only. If appropriate, the parties agree to take all actions necessary or advisable, as promptly as practicable after the discovery of such inconsistency, to amend the

Restated Articles so as to eliminate such inconsistency to the fullest extent permissible by law. Each Founder shall cause his respective holding company as set forth on Schedule B attached hereto (each, a "**Holding Company**"), which holds of record the Common Shares, to comply with the provisions of this Agreement applicable to such Holding Company as a holder of Common Shares.

11.12 Aggregation of Shares. All Series A-1 Shares, Series A Shares, Series B Shares, Series C Shares, Series D Shares, Series E Shares or Common Shares held or acquired by entities or persons which are Affiliates (as defined in Rule 405 under the Securities Act) shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

11.13 Dispute Resolution.

(a) In the event of any dispute arising out of or in connection with this Agreement, including any question regarding its breach, existence, validity, or termination ("**Dispute**"), the parties shall in good faith attempt to resolve such Dispute as soon as practicable after the complaining party provides notice of such Dispute. In the event that the Dispute is not resolved between the parties within five (5) business days after receipt of such notice, on the request of the party raising the Dispute, the Dispute shall be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce ("**ICC**") then in effect. There shall be three arbitrators, one nominated by the initiating party and the second nominated by the other party, each within fifteen (15) days of receipt of the request for arbitration; the third, who shall act as the chair of the arbitral tribunal, shall be nominated by the two selected arbitrators within twenty (20) days of the confirmation of the second arbitrator. If any arbitrators are not nominated within these time periods, the ICC International Court of Arbitration shall make the appointment(s). The place of arbitration shall be Hong Kong. The language of the arbitral proceedings shall be English. The arbitral tribunal shall apply the International Bar Association Rules on the Taking of Evidence in International Arbitration (2010). The arbitrators may award any relief permitted under this Agreement and applicable law; however they may not award punitive, exemplary or multiple damages. The award shall be rendered within eight (8) months from the selection of the chair of the arbitral tribunal, unless the parties agree to extend this time limit or the arbitral tribunal determines that the interest of justice so requires. The award shall be final and binding upon the parties as from the date rendered, and shall be the sole and exclusive remedy between the parties regarding any claims, counterclaims, issues, or accounting presented to the arbitral tribunal. This Agreement and the rights and obligations of the parties shall remain in full force and effect pending the award in any arbitration proceeding hereunder. The parties agree that any party to this Agreement shall have the right to have recourse to and shall be bound by the Pre-arbitral Referee Procedure of the ICC in accordance with its Rules for a Pre-Arbitral Referee Procedure.

(b) The parties hereto shall initially split the costs of arbitration evenly. The prevailing party in arbitration shall be entitled to recover from the other party all costs, including of arbitration, and attorneys' fees incurred in connection with the arbitration.

11.14 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto, upon any breach or default of any other party hereto under this Agreement, shall impair any such right, power or remedy of such former party, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of any similar breach of default thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party hereto of any breach of default under this Agreement or any waiver on the part of any party hereto of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, or by law or otherwise afforded to the parties hereto, shall be cumulative and not alternative.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

COMPANY:

XUNLEI LIMITED

By: /s/ Shenglong Zou
Name: Shenglong Zou
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

BVI SUBSIDIARY:

XUNLEI NETWORK TECHNOLOGIES LIMITED
(□□□□□□□□□□)

By: /s/ Shenglong Zou
Name: Shenglong Zou
Title:

HK SUBSIDIARY:

XUNLEI NETWORK TECHNOLOGIES LIMITED
(□□□□□□□□□□)

By: /s/ Shenglong Zou
Name: Shenglong Zou
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

PRC SUBSIDIARIES:

XUNLEI COMPUTER (SHENZHEN) COMPANY LIMITED (□□□□□(□□)□□□□)

By: /s/ Shenglong Zou /common seal
Name: Shenglong Zou
Title:

GIGANOLOGY (SHENZHEN) CO., LTD.
(□□□□(□□)□□□□)

By: /s/ Shenglong Zou /common seal
Name: Shenglong Zou
Title:

SHENZHEN XUNLEI NETWORKING TECHNOLOGIES CO., LTD.
(□□□□□□□□□□□□□)

By: /s/ Shenglong Zou /common seal
Name: Shenglong Zou

Title:

XUNLEI GAMES DEVELOPMENT (SHENZHEN) CO., LTD. (□□□□□□□□□□□□□□□)

By: /s/ Hao Cheng /common seal
Name: Hao Cheng
Title:

SHENZHEN XUNLEI KANKAN INFORMATION TECHNOLOGIES CO., LTD. (□□□□□□□□□□□□□□□□□)

By: /s/ Feng Liu /common seal
Name: Feng Liu
Title:

XUNLEI NETWORKING (BEIJING) CO., LTD.
(□□□□□□□□□□□□□)

By: /s/ Hao Cheng /common seal/
Name: Hao Cheng
Title:

SHENZHEN FENGDONG NETWORKING TECHNOLOGIES CO., LTD.
(□□□□□□□□□□□□□□□□□□

By: /s/ Hao Cheng /common seal/
Name: Hao Cheng
Title:

XUNLEI SOFTWARE (SHENZHEN) CO., LTD.
(□□□□□□□□□□□□□)

By: /s/ Feng Liu /common seal/
Name: Feng Liu
Title:

SHENZHEN WANGXIN TECHNOLOGIES CO., LTD.
(□□□□□□□□□□□□□)

By: /s/ Hao Cheng /common seal/
Name: Hao Cheng
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

FOUNDERS:

/s/ Shenglong Zou
ZOU SHENGLONG

/s/ Hao Cheng
CHENG HAO

FOUNDER HOLDCOS:

VANTAGE POINT GLOBAL LIMITED

By: /s/ Shenglong Zou
Name: Shenglong Zou
Title:

AIDEN & JASMINE LIMITED

By: /s/ Hao Cheng
Name: Hao Cheng
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

RS HOLDCO

LEADING ADVICE HOLDINGS LIMITED

By: /s/ Shenglong Zou
Name: Shenglong Zou
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES E INVESTOR

XIAOMI VENTURES LIMITED

By: /s/
Name:
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES E INVESTOR

KING VENTURE HOLDINGS LIMITED

By: /s/ Hongjiang Zhang
Name: Hongjiang Zhang
Title: Director

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES E INVESTOR

MORNINGSIDE CHINA TMT SPECIAL OPPORTUNITY FUND, L.P.,
a Cayman Islands exempted limited partnership

By:

MORNINGSIDE CHINA TMT GP III, L.P.,
a Cayman Islands exempted limited partnership,
its general partner

By:

TMT GENERAL PARTNER LTD.,
a Cayman Islands exempted company,
its general partner

/s/
Director/Authorized Signatory

MORNINGSIDE CHINA TMT FUND III CO-INVESTMENT, L.P.,
a Cayman Islands exempted limited partnership

By:

MORNINGSIDE CHINA TMT GP III, L.P.,
a Cayman Islands exempted limited partnership,
its general partner

By:

TMT GENERAL PARTNER LTD.,
a Cayman Islands exempted company,
its general partner

/s/
Director/Authorized Signatory

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES E INVESTOR

IDG TECHNOLOGY VENTURE INVESTMENT V, L.P.
By: IDG Technology Venture Investment V, LLC,
Its General Partner

By: /s/ Chi Sing Ho
Name: Chi Sing Ho
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES D INVESTOR

SKYLINE GLOBAL COMPANY HOLDINGS LIMITED

By: /s/ Wang Yang
Name: Wang Yang
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES C INVESTORS

KING MARKET INVESTMENT LIMITED

By: /s/
Name:
Title:

CRP HOLDINGS LIMITED

By: /s/
Name:
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES B INVESTORS:

CEYUAN VENTURES I, L.P.

By: /s/ Bo Feng
Name: Bo Feng
Title:

CEYUAN VENTURES ADVISORS FUND, LLC
By: /s/ Bo Feng
Name: Bo Feng
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES B INVESTORS:

MORNINGSIDE TECHNOLOGY INVESTMENTS LIMITED

By: /s/ Louise Mary Garbarino /s/ Jill Marie Franklin
Name: Louise Mary Garbarino/Jill Marie Franklin
Title: Authorized Signatures

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES B INVESTORS:

IDG TECHNOLOGY VENTURE INVESTMENT III, L.P.
By: IDG Technology Venture Investment III, LLC,
Its General Partner

By: /s/ Chi Sing Ho
Name: Chi Sing Ho
Title: Authorized Signatory

SERIES B INVESTORS:

IDG TECHNOLOGY VENTURE INVESTMENT IV, L.P.
By: IDG Technology Venture Investment IV, LLC,
Its General Partner

By: /s/ Chi Sing Ho
Name: Chi Sing Ho
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES B INVESTORS:

GOOGLE INC.

By: /s/ Donald Harrison
Name: Donald Harrison
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES B INVESTORS:

FIDELITY ASIA VENTURES FUND L.P.
By: Fidelity Asia Partners, L.P., its General Partner By: FIL Asia Ventures Limited, its General Partner

By: /s/ Allan Pelvang
Name: Allan Pelvang
Title:

FIDELITY ASIA PRINCIPALS FUND L.P.
By: Fidelity Asia Partners, L.P., its General Partner By: FIL Asia Ventures Limited, its General Partner

By: /s/ Allan Pelvang
Name: Allan Pelvang
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES B INVESTORS:

SKYLINE GLOBAL COMPANY HOLDINGS LIMITED

By: /s/ Wang Yang
Name: Wang Yang
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES A-1 INVESTOR:

MORNINGSIDE TECHNOLOGY INVESTMENTS LIMITED

By: /s/ Louise Mary Garbarino /s/ Jill Marie Franklin
Name: Louise Mary Garbarino/Jill Marie Franklin
Title: Authorized Signatures

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES A-1 INVESTORS:

SKYLINE GLOBAL COMPANY HOLDINGS LIMITED

By: /s/ Wang Yang
Name: Wang Yang
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES A INVESTORS:

IDG TECHNOLOGY VENTURE INVESTMENT III, L.P.
By: IDG Technology Venture Investment III, LLC,
Its General Partner

By: /s/ Chi Sing Ho
Name: Chi Sing Ho
Title: Authorized Signatory

JOINWAY INVESTMENTS LIMITED

By: /s/
Name:
Title:

BRIGHT ACCESS INTERNATIONAL LIMITED

By: /s/
Name:
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Agreement as of the date and year first above written.

SERIES A INVESTORS:

SKYLINE GLOBAL COMPANY HOLDINGS LIMITED

By: /s/ Wang Yang
Name: Wang Yang
Title:

SCHEDULE A

PRC SUBSIDIARIES

1. Xunlei Computer (Shenzhen) Company Limited (□□□□□□□□□□□□□□□), a wholly foreign-owned enterprise incorporated under the laws of the People's Republic of China ("**Xunlei Computer**").

2. Giganology (Shenzhen) Co., Ltd. (□□□□(□□)□□□□), a wholly foreign-owned enterprise incorporated under the laws of the People's Republic of China ("**Giganology Shenzhen**", together with Xunlei Computer, each, a "**WFOE**").

3. Shenzhen Xunlei Networking Technologies Co., Ltd. (□□□□□□□□□□□□□□□), a limited liability company organized under the laws of the PRC ("**Shenzhen Xunlei**").

4. Xunlei Software (Shenzhen) Co., Ltd. (□□□□□□□□□□□□), a limited liability company organized under the laws of the PRC.

5. Xunlei Games Development (Shenzhen) Co., Ltd. (□□□□□□□□□□□□□□□), a limited liability company organized under the laws of the PRC.

6. Shenzhen Xunlei Kankan Information Technologies Co., Ltd. (□□□□□□□□□□□□□□□□□), a limited liability company organized under the laws of the PRC.

7. Shenzhen Fengdong Networking Technologies Co., Ltd. (□□□□□□□□□□□□□□□□□), a limited liability company organized under the laws of the PRC.

8. Xunlei Networking (Beijing) Co., Ltd. (□□□□□□□□□□□□□□), a limited liability company organized under the laws of the PRC.

9. Shenzhen Wangxin Science and Technologies Co., Ltd. (□□□□□□□□□□□□), a limited liability company organized under the laws of the PRC (the companies referenced in item (3) through (10), collectively the "**Domestic Companies**"; and each, a "**Domestic Company**").

SCHEDULE B

FOUNDERS' HOLDINGS

Founder	PRC ID Number	Founder Holdco	Founder's Ownership Percentage in Common Holder
Sean Shenglong Zou	****	Vantage Point Global Limited (a British Virgin Islands company)	100 %
Hao Cheng	****	Aiden & Jasmine Limited (a British Virgin Islands company)	100 %

EXHIBIT A

Schedule of Series A Investors

IDG Technology Venture Investment III, L.P.

Joinway Investments Limited

Bright Access International Limited

Skyline Global Company Holdings Limited

EXHIBIT B

Schedule of Series A-1 Investors

Morningside Technology Investments Limited

Skyline Global Company Holdings Limited

EXHIBIT C

Schedule of Series B Investors

Ceyuan Ventures I, L.P.

Ceyuan Ventures Advisors Fund, LLC (together with Ceyuan Ventures I, L.P., "**Ceyuan**")

Morningside Technology Investments Limited

IDG Technology Venture Investment III, L.P.

IDG Technology Venture Investment IV, L.P.

Google Inc.

FIDELITY ASIA VENTURES FUND L.P.

FIDELITY ASIA PRINCIPALS FUND L.P.

Skyline Global Company Holdings Limited

EXHIBIT D

Schedule of Series C Investors

King Market Investment Limited

CRP Holdings Limited

EXHIBIT E

Schedule of Series D Investor

Skyline Global Company Holdings Limited

EXHIBIT F

Schedule of Series E Investors

Xiaomi Ventures Limited ("**Xiaomi**")

King Venture Holdings Limited ("**Kingsoft**")

Morningside China TMT Special Opportunity Fund, L.P. and Morningside China TMT Fund III Co-Investment, L.P. (together with Morningside Technology Investments Limited, collectively "**Morningside**")

IDG Technology Venture Investment V, L.P. ("**IDG TVI V**", together with IDG Technology Venture Investment III, L.P. and IDG Technology Venture Investment IV, L.P., collectively "**IDG**")

EXHIBIT G

Notices

TO THE GROUP COMPANIES:

4/F, Hans Innovation Mansion
North Ring Road, No.9018 High-Tech Park, Nanshan District
Shenzhen, the PRC
Fax: (86 755) 3391 2909
Attention: Mr. Zou Shenglong

TO IDG:

c/o IDG Capital Management (HK) Limited
Unit 5505, The Centre, 99 Queen's Road Central, Hong Kong
Fax: (852) 25291619
Attention: Mr. Simon Ho

TO JOINWAY INVESTMENTS LIMITED:
c/o Ms Grace Young Rm 3713, The Center
99 Queen's Road Central Hong Kong
Fax: (852) 2523 9382
Attention: Ms Grace Young

TO BRIGHT ACCESS INTERNATIONAL LIMITED:
Suite 301, Block 22, Fulian Garden, Shenzhen, the PRC
Fax : (86 755) 2699 3074
Attention: Wang Fang

TO MORNINGSIDE TECHNOLOGY INVESTMENTS LIMITED:
c/o MTI Secretarial Services Limited,
22nd Floor, Hang Lung Centre, 2-20 Paterson Street,
Causeway Bay, Hong Kong
Fax: (852) 2577 3509 Attention: George Chang

TO CEYUAN VENTURES I, L.P. and CEYUAN VENTURES ADVISORS FUND, LLC:
Maples Corporate Services Limited, Ugland House, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands

With a copy to:
No. 1 Exhibition Hall, 2F of Lobby, Poly Plaza,
14 Dongzhimen South Avenue, Dongcheng District,
Beijing, 100027, the P.R.C.
Telephone: 86-10-8402-8800
Fax: 86-10-8402-0999

Attention: Ms. Yuan Chen

TO GOOGLE INC.:
1600 Amphitheatre Parkway
Mountain View, California 94043,
USA Fax: +1 (650) 618-1806
Attention: General Counsel

with a copy to:

Google Inc.
1600 Amphitheatre Parkway
Mountain View, California 94043, USA
Fax: +1 (650) 649-1920
Attention: Donald Harrison, Senior Counsel

TO FIDELITY ASIA VENTURES FUND L.P. and FIDELITY ASIA PRINCIPALS FUND L.P.:

FIL Capital Management (Hong Kong) Limited
Suite 2201, Level 22, Two Pacific Place
88 Queensway, Admiralty
Hong Kong

TO King Market Investment Limited:

The address, telephone, fax, and email that is on file with the Company, as such information may be amended from time to time by such investor

TO CRP Holdings Limited:

The address, telephone, fax, and email that is on file with the Company, as such information may be amended from time to time by such investor

TO SKYLINE GLOBAL COMPANY HOLDINGS LIMITED:
Suite 5801, Two International Finance Centre
8 Finance Street, Central, Hong Kong
Fax: +852 3767 5001
Attention: Stephen Zhang

TO XIAOMI VENTURES LIMITED:

68 Qinghe Middle Street WuCaiCheng Office Building, 12th floor, Haidian District, Beijing, China □□□□□□□□□□□68□□□□□□□12□□
Fax: □86 (10) 6060 6666-1101
Attention: ZHANG Jinling

TO KING VENTURE HOLDINGS LIMITED:
c/o Business Office Area C, 2/F, 33 West Xiaoying Rd, Haidian District, Beijing, the PRC
Telephone: 010-82334488
Fax: 010- 82325655
Attention: Francis NG

TO Morningside China TMT Special Opportunity Fund, L.P. and Morningside China TMT Fund III Co-Investment, L.P.:
c/o MTI Secretarial Services Limited
22nd Floor, Hang Lung Centre, 2-20 Paterson Street,
Causeway Bay, Hong Kong
Fax: (852) 2577 3509
Attention: George Chang

TO THE FOUNDERS AND FOUNDER HOLDCOS:

c/o Shenzhen Xunlei Networking Technologies Co Ltd
4/F, Hans Innovation Mansion
North Ring Road, No.9018 High-Tech Park, Nanshan District
Shenzhen, the PRC
Fax: (86 755) 3391 2909

TO RS HOLDCO:

c/o Shenzhen Xunlei Networking Technologies Co Ltd
4/F, Hans Innovation Mansion
North Ring Road, No.9018 High-Tech Park, Nanshan District
Shenzhen, the PRC
Fax: (86 755) 3391 2909

EXHIBIT H

FORM OF INDEMNIFICATION AGREEMENT

EXHIBIT I

FIVE-YEAR BUSINESS PLAN AND FORECAST

AMENDMENT NO.1

TO

SEVENTH AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

Dated as of June 12, 2014

WHEREAS, Xunlei Limited (the "**Company**"), the shareholders of the Company and certain other parties thereto executed a Seventh Amended and Restated Shareholders Agreement of the Company dated as of April 24, 2014 (the "**Shareholders Agreement**"), which specifies certain rights of the shareholders of the Company. All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Shareholders Agreement.

WHEREAS, all the shares of the Company held by Fidelity Asia Ventures Fund L.P. and Fidelity Asia Principals Fund L.P. (collectively, "**Fidelity**") were repurchased by the Company on April 24, 2014 and Fidelity is no longer the shareholder of the Company.

WHEREAS, the undersigned parties propose to make the following adjustments to the Shareholders Agreement to further clarify certain rights and obligations of the shareholders of the Company.

WHEREAS, pursuant to Section 6 of the Shareholders Agreement, any amendment thereto requires written consent of the Company, the holders of a majority of the Preferred Shares and certain other parties thereto affected by such amendment.

NOW, THEREFORE, the undersigned parties, constituting the Company, all the shareholders of the Company, the Founders and other parties thereto, hereby agree to the following amendment to the Shareholders Agreement (the "**Amendment**"):

1. Effective on the date hereof, the phrase of "*Wang Xiaoming, a PRC citizen whose ID number is ****" in Section 4.5 of the Shareholders Agreement shall be amended and replaced with "*Wu Jiang, a PRC citizen whose ID number is ****".

2. Effective on the date hereof, Sections 4.11 and 4.12 of the Shareholders Agreement shall be amended and replaced in its entirety to provide as follows:

"4.11 Series E Investors' Consent Right.

(a) As long as the Series E Investors or their Permitted Transferees hold any Series E Share, notwithstanding anything to the contrary herein and in addition to such restrictions set forth under Section 4.1 through Section 4.9, except for transfers by the Selling Shareholders to Permitted Transferees as provided in Section 4.5 above, without the prior written consent of the holders of at least 75% of the Series E Shares (for the purpose of this Section 4.11 and Section 4.12, in case of an initial public offering of the Company, the Series E Shares shall include the Common Shares held by the Series E Investors or their Permitted Transferees issued upon the conversion of the Series E Shares in such initial public offering):

(i) none of Zou Shenglong and his Permitted Transferee shall, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage, encumber or otherwise dispose of through one or a series of transactions any Restricted Shares directly or indirectly held by them as of April 24, 2014 to any person during the period commencing from the date hereof to the fifth (5th) anniversary of the date hereof (for the avoidance of doubt, the total number of such Restricted Shares subject to the restrictions under this Section 4.11(a)(i) is 28,499,678);

(ii) none of Cheng Hao and his Permitted Transferee shall, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage, encumber or otherwise dispose of through one or a series of transactions any Restricted Shares directly or indirectly held by them as of April 24, 2014 to any person for the period of four (4) years commencing from the date hereof (for the avoidance of doubt, the total number of such Restricted Shares subject to the restrictions under this Section 4.11(a)(ii) is 11,434,484);

(iii) none of the Partners and their respective Permitted Transferees shall, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage, encumber or otherwise dispose of through one or a series of transactions any Restricted Shares directly or indirectly held by them as of the date hereof to any person for the period of four (4) years commencing from the date hereof (for the avoidance of doubt, the total number of such Restricted Shares directly or indirectly held by Huang Peng or his Permitted Transferee subject to the restrictions under this Section 4.11(a)(iii) shall be equal to the difference between (i) 90% of all the Restricted Shares directly or indirectly held by Huang Peng or his Permitted Transferee as of April 24, 2014 and (ii) 532,328); and

(iv) none of the holders of Common Shares which are issued or granted pursuant to the ESOP (but excluding the Partners) and their respective Permitted Transferees shall, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage, encumber or otherwise dispose of through one or a series of transactions any Restricted Shares directly or indirectly held by them to any person on or before the earlier of (x) the completion of an initial public offering of the Company, and (y) the fourth (4th) anniversary of the date hereof, except carried out in strict accordance with the ESOP duly adopted by the Company.

(b) As long as the Series E Investors or their Permitted Transferees hold any Series E Share, any attempt to transfer any Restricted Shares in violation of this Section 4.11 shall be void and the Company hereby agrees it will not effect such a transfer nor will it treat any alleged transferee as the holder of such Restricted Shares without the prior written consent of the holders of at least 75% of the Series E Shares.

4.12 Restrictions on RS Holdco. As long as the Investors or their Permitted Transferees hold any Preferred Share, notwithstanding anything to the contrary contained herein, except carried out in strict accordance with the ESOP duly adopted by the Company, without the prior written approval of the holders of a majority of the Preferred Shares (as long as the Series E Investors or their Permitted Transferees hold any Series E Share, including the holders of at least 75% of the Series E Shares), voting together on an as converted basis (for the purpose of this Section 4.12, in case of an initial public offering of the Company, the Preferred Shares shall include the Common Shares held by the Investors or their Permitted Transferees issued upon the conversion of the Preferred Shares in such initial public offering):

(a) Each of the Founders shall not, and shall cause any other shareholder of the RS Holdco not to, directly or indirectly, sell, assign, transfer, pledge, hypothecate, mortgage, encumber or otherwise dispose through one or a series of transactions any equity interest held, directly or indirectly, by the Founders or any other shareholder in the RS Holdco to any person, and the RS Holdco hereby agrees it will not effect a transfer in violation of the foregoing sentence nor will it treat any alleged transferee as the holder of such shares.

(b) The RS Holdco shall not, and each Founder shall cause the RS Holdco not to, issue to any person any equity securities of the RS Holdco or any options or warrants for, or any other securities exchangeable for or convertible into, such equity securities of the RS Holdco."

3. Notwithstanding the foregoing, except as amended hereby, each of the provisions of the Shareholders Agreement shall remain in full force and effect, and this Amendment shall not constitute a modification, acceptance or waiver of any other provision of the Shareholders Agreement except as specifically provided herein. This Agreement has reflected the true intentions of the undersigned and shall hereafter form an integral part of the Shareholders Agreement, when and where applicable.

4. This Amendment shall be governed by and construed exclusively in accordance with the internal laws of the State of New York.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

COMPANY:

XUNLEI LIMITED

By: /s/ Shenglong Zou

Name: Shenglong Zou
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

BVI SUBSIDIARY:

XUNLEI NETWORK TECHNOLOGIES LIMITED (□□□□□□□□□□)

By: /s/ Shenglong Zou
Name: Shenglong Zou
Title:

HK SUBSIDIARY:

XUNLEI NETWORK TECHNOLOGIES LIMITED (□□□□□□□□□□)

By: /s/ Shenglong Zou
Name: Shenglong Zou
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

PRC SUBSIDIARIES:

XUNLEI COMPUTER (SHENZHEN) COMPANY LIMITED (□□□□□(□□)□□□□)

By: /s/ Shenglong Zou /common seal/
Name: Shenglong Zou
Title:

GIGANOLOGY (SHENZHEN) CO., LTD.
(□□□□(□□)□□□□)

By: /s/ Shenglong Zou /common seal/
Name: Shenglong Zou
Title:

SHENZHEN XUNLEI NETWORKING TECHNOLOGIES CO., LTD.
(□□□□□□□□□□□□□)

By: /s/ Shenglong Zou /common seal/
Name: Shenglong Zou
Title:

XUNLEI GAMES DEVELOPMENT (SHENZHEN) CO., LTD. (□□□□□□□□□□□□□□□)

By: /s/ Hao Cheng /common seal/
Name: Hao Cheng
Title:

SHENZHEN XUNLEI KANKAN INFORMATION TECHNOLOGIES CO., LTD. (□□□□□□□□□□□□□□□□□□)

By: /s/ Feng Lin /common seal/
Name: Feng Lin
Title:

XUNLEI NETWORKING (BEIJING) CO., LTD.
(□□□□□□□□□□□□□)

By: /s/ Hao Cheng /common seal/
Name: Hao Cheng
Title:

SHENZHEN FENGDONG NETWORKING TECHNOLOGIES CO., LTD.
(□□□□□□□□□□□□□□□□□□□□

By: /s/ Hao Cheng /common seal/
Name: Hao Cheng
Title:

XUNLEI SOFTWARE (SHENZHEN) CO., LTD.
(□□□□□□□□□□□□□)

By: /s/ Feng Lin /common seal/
Name: Feng Lin
Title:

SHENZHEN WANGXIN TECHNOLOGIES CO., LTD.
(□□□□□□□□□□□□□)

By: /s/ Hao Cheng /common seal/
Name: Hao Cheng
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

FOUNDERS:

/s/ Shenglong Zou
ZOU SHENGLONG

/s/ Hao Cheng
CHENG HAO

FOUNDER HOLDCOS:

VANTAGE POINT GLOBAL LIMITED

By: /s/ Shenglong Zou
Name: Shenglong Zou
Title:

AIDEN & JASMINE LIMITED

By: /s/ Hao Cheng
Name: Hao Cheng
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

RS HOLDCO:

LEADING ADVICE HOLDINGS LIMITED

By: /s/ Shenglong Zou

Name: Shenglong Zou
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES E INVESTOR:

XIAOMI VENTURES LIMITED

By: /s/

Name:
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES E INVESTOR:

KING VENTURE HOLDINGS LIMITED

By: /s/ Hongjiang Zhang

Name: Hongjiang Zhang
Title: Director

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES E INVESTORS:

MORNINGSIDE CHINA TMT SPECIAL OPPORTUNITY FUND, L.P.,
a Cayman Islands exempted limited partnership

By:

MORNINGSIDE CHINA TMT GP III, L.P.,
a Cayman Islands exempted limited partnership,
its general partner

By:

TMT GENERAL PARTNER LTD.,
a Cayman Islands exempted company,
its general partner

/s/
Director/Authorized Signatory

MORNINGSIDE CHINA TMT FUND III CO-INVESTMENT, L.P.,
a Cayman Islands exempted limited partnership

By:

MORNINGSIDE CHINA TMT GP III, L.P.,
a Cayman Islands exempted limited partnership,
its general partner

By:

TMT GENERAL PARTNER LTD.,
a Cayman Islands exempted company,
its general partner

/s/
Director/Authorized Signatory

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES E INVESTOR:

IDG TECHNOLOGY VENTURE INVESTMENT V, L.P.
By: IDG Technology Venture Investment V, LLC,
Its General Partner

By: /s/ Chi Sing Ho

Name: Chi Sing Ho
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES D INVESTOR:

SKYLINE GLOBAL COMPANY HOLDINGS LIMITED

By: /s/ Wang Yang

Name: Wang Yang
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES C INVESTORS:

CRP HOLDINGS LIMITED

By: /s/
Name:
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES B INVESTOR:

MORNINGSIDE TECHNOLOGY INVESTMENTS LIMITED

By: /s/ Louise Mary Garbarino /s/ Jill Marie Franklin
Name: Louise Mary Garbarino / Jill Marie Franklin
Title: Authorized Signatures

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES B INVESTORS:

IDG TECHNOLOGY VENTURE INVESTMENT III, L.P.
By: IDG Technology Venture Investment III, LLC,
Its General Partner

By: /s/ Chi Sing Ho
Name: Chi Sing Ho
Title: Authorized Signatory

IDG TECHNOLOGY VENTURE INVESTMENT IV, L.P.
By: IDG Technology Venture Investment IV, LLC,
Its General Partner

By: /s/ Chi Sing Ho
Name: Chi Sing Ho
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES B INVESTOR:

GOOGLE INC.

By: /s/ Donald Harrison
Name: Donald Harrison
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES B INVESTOR:

SKYLINE GLOBAL COMPANY HOLDINGS LIMITED

By: /s/ Wang Yang

Name: Wang Yang
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES A-1 INVESTOR:

MORNINGSIDE TECHNOLOGY INVESTMENTS LIMITED

By: /s/ Louise Mary Garbarino /s/ Jill Marie Franklin
Name: Louise Mary Garbarino/Jill Marie Franklin
Title: Authorized Signatures

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES A-1 INVESTOR:

SKYLINE GLOBAL COMPANY HOLDINGS LIMITED

By: /s/ Wang Yang

Name: Wang Yang
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES A INVESTORS:

IDG TECHNOLOGY VENTURE INVESTMENT III, L.P.
By: IDG Technology Venture Investment III, LLC,
Its General Partner

By: /s/ Chi Sing Ho

Name: Chi Sing Ho
Title: Authorized Signatory

BRIGHT ACCESS INTERNATIONAL LIMITED

By: /s/

Name:
Title:

IN WITNESS WHEREOF, the parties have caused their respective duly authorized representatives to execute this Amendment as of the date and year first above written.

SERIES A INVESTOR:

SKYLINE GLOBAL COMPANY HOLDINGS LIMITED

By: /s/ Wang Yang

Name: Wang Yang
Title:

Exhibit 5.1

Our ref SSY/660874-000001/7109439v1
Direct tel +852 3690 7498
Email sophie.yu@maplesandcalder.com

Xunlei Limited
4/F, Hans Innovation Mansion, North Ring Road
No. 9018 High-Tech Park, Nanshan District
Shenzhen, 518057
People's Republic of China

12 June 2014

Dear Sirs

Xunlei Limited

We have acted as Cayman Islands legal advisers to Xunlei Limited (the "**Company**") in connection with the Company's registration statement on Form F-1, including all amendments or supplements thereto (the "**Registration Statement**"), filed with the Securities and Exchange Commission under the U.S. Securities Act of 1933, as amended to date relating to the offering by the Company of certain American Depositary Shares (the "**ADSs**") representing the Company's Common Shares of par value US$0.00025 each (the "**Shares**").

We are furnishing this opinion as Exhibit 5.1 to the Registration Statement.

1 Documents Reviewed

For the purposes of this opinion, we have reviewed only originals, copies or final drafts of the following documents:

1.1 The certificate of incorporation of the Company dated 3 February 2005 and the certificate of incorporation on change of name of the Company dated 28 January 2011.

1.2 The seventh amended and restated memorandum of association and the sixth amended and restated articles of association of the Company as adopted by a special resolution passed on 24 April 2014 (the "**Pre-IPO M&A**").

1.3 The eighth amended and restated memorandum of association and the seventh amended and restated articles of association of the Company as conditionally adopted by a special resolution passed on 11 June 2014 and effective immediately upon the completion of the Company's initial public offering of its Shares represented by ADSs (the "**IPO M&A**").

1.4 The written resolutions of the directors of the Company dated 11 June 2014 (the "**Directors' Resolutions**").

1.5 The minutes of an extraordinary general meeting of the shareholders of the Company held on 11 June 2014 (the "**Shareholders' Resolutions**").

1.6 A certificate from a Director of the Company, a copy of which is attached hereto (the "**Director's Certificate**").

1.7 A certificate of good standing dated 22 April 2014, issued by the Registrar of Companies in the Cayman Islands (the "**Certificate of Good Standing**").

1.8 The Registration Statement.

2 Assumptions

The following opinions are given only as to, and based on, circumstances and matters of fact existing and known to us on the date of this opinion letter. These opinions only relate to the laws of the Cayman Islands which are in force on the date of this opinion letter. In giving these opinions we have relied (without further verification) upon the completeness and accuracy of the Director's Certificate and the Certificate of Good Standing. We have also relied upon the following assumptions, which we have not independently verified:

2.1 Copy documents or drafts of documents provided to us are true and complete copies of, or in the final forms of, the originals.

2.2 The genuineness of all signatures and seals.

2.3 There is nothing under any law (other than the law of the Cayman Islands) which would or might affect the opinions set out below.

3 Opinion

Based upon the foregoing and subject to the qualifications set out below and having regard to such legal considerations as we deem relevant, we are of the opinion that:

3.1 The Company has been duly incorporated as an exempted company with limited liability and is validly existing and in good standing under the laws of the Cayman Islands.

3.2 The authorised share capital of the Company, with effect immediately upon the completion of the Company's initial public offering of the Shares represented by ADSs will be US$250,000 divided into 1,000,000,000 Common Shares a par value of US$0.00025 each.

3.3 The issue and allotment of the Shares have been duly authorised and when allotted, issued and paid for as contemplated in the Registration Statement, the Shares will be legally issued and allotted, fully paid and non-assessable. As a matter of Cayman law, a share is only issued when it has been entered in the register of members (shareholders).

3.4 The statements under the caption "Taxation" in the prospectus forming part of the Registration Statement, to the extent that they constitute statements of Cayman Islands law, are accurate in all material respects and that such statements constitute our opinion.

4 Qualifications

In this opinion the phrase "non-assessable" means, with respect to shares in the Company, that a shareholder shall not, solely by virtue of its status as a shareholder, be liable for additional assessments or calls on the shares by the Company or its creditors (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

Except as specifically stated herein, we make no comment with respect to any representations and warranties which may be made by or with respect to the Company in any of the documents or instruments cited in this opinion or otherwise with respect to the commercial terms of the transactions the subject of this opinion.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our name under the headings "Enforceability of Civil Liabilities", "Taxation" and "Legal Matters" and elsewhere in the prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the Rules and Regulations of the Commission thereunder.

Yours faithfully

/s/ Maples and Calder

Maples and Calder

Encl

Exhibit 8.2

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3144

TEL: (213) 687-5000
FAX: (213) 687-5600
www.skadden.com

June 12, 2014

Xunlei Limited
4/F, Hans Innovation Mansion, North Ring Road
No. 9018 High-Tech Park, Nanshan District
Shenzhen, 518057
People's Republic of China

Re: American Depositary Shares of Xunlei Limited (the "Company")

Ladies and Gentlemen:

You have requested our opinion as special United States counsel concerning the statements in the Registration Statement (as described below) under the caption "Taxation—United States Federal Income Tax Considerations" in connection with the public offering of certain American Depositary Shares ("ADSs"), which represent common shares, par value $0.00025 per share, of the Company, pursuant to the registration statement on Form F-1 under the Securities Act of 1933, as amended (the "Act"), originally filed by the Company with the Securities and Exchange Commission (the "Commission") on May 23, 2014 (the "Registration Statement").

This opinion is being furnished to you pursuant to Exhibit 8.2 of the Exhibit Index of the Registration Statement.

In connection with rendering the opinion set forth herein, we have examined and relied on originals or copies of the following:

(a) the Registration Statement; and

(b) such other documents, certificates, and records as we have deemed necessary or appropriate as a basis for the opinion set forth herein.

Our opinion is conditioned on the initial and continuing accuracy of the facts, information and analyses set forth in such documents, certificates, and records (as identified in clauses (a) and (b) of the immediately preceding paragraph). All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Registration Statement.

For purposes of our opinion, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed, electronic, or photostatic copies, and the authenticity of the originals of such latter documents. We have relied on a representation of the Company that such documents, certificates, and records are duly authorized, valid and enforceable.

In addition, we have relied on factual statements and representations of the officers and other representatives of the Company and others, and we have assumed that such statements and representations are and will continue to be correct without regard to any qualification as to knowledge or belief.

Our opinion is based on the Internal Revenue Code of 1986, as amended, United States Treasury regulations, judicial decisions, published positions of the United States Internal Revenue Service, and such other authorities as we have considered relevant, all as in effect as of the date of this opinion and all of which are subject to differing interpretations or change at any time (possibly with retroactive effect). A change in the authorities upon which our opinion is based could affect the conclusions expressed herein. There can be no assurance, moreover, that the opinion expressed herein will be accepted by the United States Internal Revenue Service or, if challenged, by a court.

Based on and subject to the foregoing, to the extent that the discussion states definitive legal conclusions under United States federal income tax law set forth in the Registration Statement under the heading "Taxation—United State Federal Income Tax Considerations" as to the material United States federal income tax consequences of an investment in the Company's ADSs or common shares, and subject to the qualifications therein, it represents our opinion.

This opinion is furnished to you in connection with the sale of the securities. Except as set forth herein, we express no opinions or views regarding the United States federal income tax consequences of any transaction. Our opinion is expressed as of the date hereof, and we are under no obligation to supplement or revise our opinion to reflect any legal developments or factual matters arising subsequent to the date hereof or the impact of any information, document, certificate, record, statement, representation, covenant, or assumption relied upon herein that becomes incorrect or untrue.

We hereby consent to the prospectus discussion of this opinion, to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the captions "Taxation" and "Legal Matters" in the prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules or regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Skadden, Arps, Slate, Meagher & Flom LLP

XUNLEI LIMITED

2014 SHARE INCENTIVE PLAN

ARTICLE 1

PURPOSE

The purpose of the Xunlei Limited 2014 Share Incentive Plan (the "Plan") is to promote the success and enhance the value of Xunlei Limited, an exempted company incorporated under the laws of the Cayman Islands (the "Company") by linking the personal interests of the directors, senior management, employees, advisors and consultants of the Company to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Company's shareholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of directors, senior management, employees, advisors and consultants of the Company upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

ARTICLE 2

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan or an Award Agreement, they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Administrator" means the administrator of the Plan as described in Article 8.

2.2 "Applicable Laws" means the legal requirements relating to the Plan and the Awards under applicable corporate, securities, tax and other laws, rules, regulations and government orders, and the rules of any applicable stock exchange or national market system.

2.3 "Award" means an award of a Restricted Share granted to a Participant pursuant to the Plan.

2.4 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.

2.5 "Board" means the Board of Directors of the Company.

2.6 "Code" means the Internal Revenue Code of 1986 of the United States, as amended.

2.7 "Corporate Transaction", unless otherwise defined in an Award Agreement, means any of the following transactions, provided, however, that the Administrator shall determine under (d) and (e) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(a) an amalgamation, arrangement or consolidation or scheme of arrangement or merger (i) in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated or (ii) following which the holders of the voting securities of the Company do not continue to hold more than 50% of the combined voting power of the voting securities of the surviving entity;

(b) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(c) the complete liquidation or dissolution of the Company;

(d) any reverse takeover or series of related transactions culminating in a reverse takeover (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company is the surviving entity but (A) the Company's equity securities outstanding immediately prior to such takeover are converted or exchanged by virtue of the takeover into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such takeover or the initial transaction culminating in such takeover, but excluding any such transaction or series of related transactions that the Administrator determines shall not be a Corporate Transaction;

(e) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Administrator determines shall not be a Corporate Transaction; or

(f) the individuals who, as of the Effective Date, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least fifty percent (50%) of the Board; *provided* that if the election, or nomination for election by the Company's shareholders, of any new member of the Board is approved by the Incumbent Board pursuant to the then effective Articles of Association of the Company, such new member of the Board shall be considered as a member of the Incumbent Board.

2.8 "Disability", unless otherwise defined in an Award Agreement, means that the Participant qualifies to receive long-term disability payments under the Service Recipient's long-term disability insurance program, as it may be amended from time to time, to which the Participant provides services regardless of whether the Participant is covered by such policy. If the Service Recipient to which the Participant provides service does not have a long-term disability plan in place, "Disability" means that a Participant is unable to carry out the

responsibilities and functions of the position held by the Participant by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Administrator in its discretion.

2.9 "Effective Date" shall have the meaning set forth in Section 9.1.

2.10 "Employee" means any person, including an officer or a member of the Board of the Company or any Parent or Subsidiary of the Company, who is in the employment of a Service Recipient, subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a director's fee by a Service Recipient shall not be sufficient to constitute "employment" by the Service Recipient.

2.11 "Exchange Act" means the Securities Exchange Act of 1934 of the United States, as amended.

2.12 "Fair Market Value" means, as of any date, the value of Shares determined as follows:

(a) If the Shares are listed on one or more established stock exchanges or national market systems, including without limitation, The New York Stock Exchange and The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such Shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Administrator) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(b) If the Shares are regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such shares as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a Share shall be the mean between the high bid and low asked prices for the Shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(c) In the absence of an established market for the Shares of the type described in (a) and (b), above, the Fair Market Value thereof shall be determined by the Administrator in good faith and in its discretion by reference to (i) the placing price of the latest private placement of the Shares and the development of the Company's business operations and the general economic and market conditions since such latest private placement, (ii) other third party transactions involving the Shares and the development of the Company's business operation and the general economic and market conditions since such sale, (iii) an independent

valuation of the Shares, or (iv) such other methodologies or information as the Administrator determines to be indicative of Fair Market Value and relevant.

2.13 "Participant" means a person who, as a member of the Board or senior management of the Company, an employee of the Company, or an advisor or consultant to the Company , has been granted an Award by the Administrator pursuant to the Plan.

2.14 "Parent" means a parent corporation under Section 424(e) of the Code.

2.15 "Permitted Transferee" has the definition assigned to it in Section 4.5 of the Shareholders Agreement.

2.16 "Plan" means this Xunlei Limited 2014 Share Incentive Plan, as it may be amended from time to time.

2.17 "Qualified IPO" has the definition assigned to it in Section 10 of the Shareholders Agreement.

2.18 "Related Entity" means any business, corporation, partnership, limited liability company or other entity in which the Company, a Parent or Subsidiary of the Company holds a substantial ownership interest, directly or indirectly, but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.

2.19 "Restricted Share" means a Share awarded to a Participant pursuant to Article 5 that is subject to certain restrictions and may be subject to risk of forfeiture.

2.20 "Securities Act" means the Securities Act of 1933 of the United States, as amended.

2.21 "Service Recipient" means the Company, any Parent or Subsidiary of the Company and any Related Entity to which a Participant provides services as an Employee, a Consultant or a Director.

2.22 "Share" means common shares, par value US$0.00025 per share, of the Company, and such other securities of the Company that may be substituted for Shares pursuant to Article 10. When referenced in the context of listings on a stock exchange or quotations on an automated quotation system, "Shares" may also refer to American depositary shares or other securities representing the common shares.

2.23 "Shareholders Agreement" means the Seventh Amended and Restated Shareholders Agreement dated April 24, 2014 (as may be further amended and restated from time to time) among the Company, its subsidiaries and consolidated affiliated entities, Messrs. Zou Shenglong and Cheng Hao, and various investors of the Company.

2.24 "Subsidiary" means any corporation or other entity of which a majority of the outstanding voting shares or voting power is beneficially owned directly or indirectly by the

Company. For purposes of this Plan, Subsidiary shall also include any consolidated variable interest entity of the Company.

2.25 "Trade Sale" means (a) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Company, (b) a transfer or an exclusive licensing of all or substantially all of the intellectual property of the Company, (c) a sale, transfer or other disposition of a majority of the issued and outstanding share capital of the Company or a majority of the voting power of the Company or (d) a merger, consolidation or other business combination of the Company with or into any other business entity in which the shareholders of the Company immediately after such merger, consolidation or business combination hold shares representing less than a majority of the voting power of the outstanding share capital of the surviving business entity, in each case prior to a Qualified IPO.

2.26 "Trading Date" means the closing of the first sale to the general public of the Shares pursuant to a registration statement filed with and declared effective by the U.S. Securities and Exchange Commission under the Securities Act.

ARTICLE 3

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to the provisions of Article 10 and Section 3.1(b), the maximum aggregate number of Shares which may be issued pursuant to all Awards is 14,195,412.

(b) To the extent that an Award terminates, expires, or lapses for any reason, any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. Shares delivered by the Participant or withheld by the Company upon the vesting of any Award under the Plan, in payment of the tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). If any Restricted Shares are forfeited by the Participant or repurchased by the Company, such Shares may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a).

3.2 Shares Distributed. In the discretion of the Administrator, American Depositary Shares in an amount representing the number of Shares which otherwise would be distributed pursuant to an Award may be distributed in lieu of Shares in settlement of any Award. The American Depositary Shares so distributed shall be subject to the same restrictions or forfeiture and repurchase conditions contained in this Plan as if the Award is granted in the form of Restricted Shares. If the number of Shares represented by an American Depositary Share is other than on a one-to-one basis, the limitations of Section 3.1(a) shall be adjusted proportionally, in accordance with the Shares to American Depositary Share ratio, to reflect the distribution of American Depositary Shares in lieu of Shares.

ARTICLE 4

ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. Persons eligible to participate in this Plan include members of the Board or senior management of the Company, employees of the Company, or advisors or consultants to the Company, as determined by the Administrator.

4.2 Participation. Subject to the provisions of the Plan, the Administrator may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any automatic right to be granted an Award pursuant to this Plan.

4.3 Jurisdictions. In order to assure the viability of Awards granted to Participants employed in various jurisdictions, the Administrator may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom applicable in the jurisdiction in which the Participant resides or is employed. Moreover, the Administrator may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; *provided, however*, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 3.1 of the Plan. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

ARTICLE 5

RESTRICTED SHARES

5.1 Grant of Awards in respect of Restricted Shares.

(a) Subject to Section 5.1(b) and (c) hereto, the Administrator, at any time and from time to time, may grant Awards in respect of Restricted Shares to Participants as the Administrator shall determine. The Administrator shall determine the number of Restricted Shares to be subject to the Awards to be granted to each Participant.

(b) Any grant of Awards in respect of Restricted Shares shall require the prior written consent of the Board, if such Award is granted to any of Zou Shenglong (□□□), Cheng Hao (□□), Huang Peng (□□) and Wang Xiaoming (□□□), or any of the Directors of the Company.

(c) Any grant of Awards in respect of Restricted Shares shall require the prior written consent of the chief executive officer of the Company, if such Award is granted to an Employee, advisor or consultant of the Company or any of its Subsidiaries other than those provided in Section 5.1(b) hereto. The chief executive officer of the Company shall (A) provide the Board with a plan in respect of the grants of Awards hereunder in any given year prior to actual grant of any Award in such year; and (B) notify the Board in writing of any grant of Award as soon as possible after such grant, which shall not materially deviate from that provided in the annual plan provided to the Board.

5.2 Restricted Shares Award Agreement. Each Award of Restricted Shares shall be evidenced by an Award Agreement that shall specify the period of restriction, the number of Restricted Shares subject to the Award so granted, and such other terms and conditions as the Administrator, in its sole discretion, shall determine. Unless the Administrator determines otherwise, Restricted Shares shall be registered in the name of the Administrator (or its nominee) regardless whether the Shares have vested or not and the restrictions on such Shares have lapsed or not.

5.3 Issuance and Restrictions. Restricted Shares shall be subject to such restrictions on transferability and other restrictions as the Administrator may impose (including, without limitation, limitations on the right to vote or the right to receive dividends on the Restricted Shares). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Administrator determines at the time of the grant of the Award or thereafter.

5.4 Forfeiture/Repurchase. Except as otherwise determined by the Administrator at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Shares that are at that time subject to restrictions shall be forfeited or repurchased in accordance with the Award Agreement; *provided*, *however*, the Administrator may (a) provide in any Restricted Share Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Shares will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Shares. Where any Restricted Share is subject to forfeiture under this Plan, or under any Restricted Share Award Agreement, such forfeiture shall be effected by means of, (i) if the Restricted Shares are registered in the name of the Administrator (or its nominee), cancelling any rights (including right to dividend) of the Participant with respect to such Restricted Shares, or (ii) if the Restricted Shares are registered in the name of the Participant, the surrender for no consideration of such Restricted Share by the registered holder of such Restricted Shares, in accordance with section 37B of the Companies Law of the Cayman Islands, and the Participant hereby irrevocably and unconditionally agrees with such surrender, to the intent and effect that no further consent or action by the Participant shall be required in respect of such surrender in order to give effect to such forfeiture of Restricted Shares.

5.5 Evidence for Restricted Shares. Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine.

5.6 Removal of Restrictions. The Administrator, in its discretion, may accelerate the time at which any restrictions shall lapse or be removed. The Administrator, in its discretion, may establish procedures regarding the release of Shares as necessary or appropriate to minimize administrative burdens on the Company.

ARTICLE 6

PROVISIONS APPLICABLE TO AWARDS

6.1 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant's employment or service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

6.2 Limits on Transfer. No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Subsidiary. Except as otherwise provided by the Administrator, no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution. The Administrator by express provision in the Award or an amendment thereto may permit an Award to be transferred to and paid to certain persons or entities related to the Participant, including but not limited to members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Administrator, pursuant to such conditions and procedures as the Administrator may establish. Any permitted transfer shall be subject to the condition that the Administrator receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with the Participant's termination of employment or service with the Company or a Subsidiary to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

6.3 Beneficiaries. Notwithstanding Section 6.2, a Participant may, in the manner determined and consented to by the Administrator, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Administrator.

6.4 Share Certificates. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing the Shares pursuant to the vesting of any Award, unless and until the Administrator has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all Applicable Laws, regulations of governmental authorities and, if applicable, the requirements

of any exchange on which the Shares are listed or traded. All Share certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with all Applicable Laws, and the rules of any national securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. In addition to the terms and conditions provided herein, the Administrator may require that a Participant make such reasonable covenants, agreements, and representations as the Administrator, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator.

6.5 Paperless Administration. Subject to Applicable Laws, the Administrator may make Awards, provide applicable disclosure and procedures for vesting of Awards by an Internet website or interactive voice response system for the paperless administration of Awards.

ARTICLE 7

CHANGES IN CAPITAL STRUCTURE

7.1 Adjustments. In the event of any share dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the Shares or the price of a Share, the Administrator shall make such proportionate adjustments, if any, as the Administrator in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and type of Shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant price per share for any outstanding Awards under the Plan.

7.2 Corporate Transactions. Except as may otherwise be provided in any Award Agreement or any other written agreement entered into by and between the Company and a Participant, if the Administrator anticipates the occurrence, or upon the occurrence, of a Corporate Transaction, the Administrator may, in its sole discretion, provide for (i) accelerate the vesting of such Awards as the Administrator shall determine, or (ii) the purchase of any Award for an amount of cash equal to the amount that could have been attained upon the vesting of such Award, or (iii) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion or the assumption of or substitution of such Award by the successor or surviving corporation, or a Parent or Subsidiary thereof, with appropriate adjustments as to the number and kind of Shares and prices, or (iv) payment of Award in cash based on the value of Shares on the date of the Corporate Transaction plus reasonable interest on the Award through the date when such Award would otherwise be vested or have been paid in accordance with its original terms, if necessary to comply with Section 409A of the Code.

7.3 Outstanding Awards — Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 7, the Administrator may, in its absolute discretion, make such adjustments in the number and class of Shares subject to Awards outstanding on the date on which such change occurs and in the per share grant price of each Award as the Administrator may consider appropriate to prevent dilution or enlargement of rights.

7.4 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of Shares of any class, the payment of any dividend, any increase or decrease in the number of shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Administrator under the Plan, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares subject to an Award or the grant price of any Award.

ARTICLE 8

ADMINISTRATION

8.1 Administrator. Before the Shares are listed on a stock exchange, the Plan shall be administered by Leading Advice Holdings Limited (the "Administrator"). After the Shares are listed on a stock exchange, the Plan shall be administered by the Board or the Compensation Committee of the Board (or a similar body) formed in accordance with applicable exchange rules, and the term "Administrator" shall refer to Leading Advice Holdings Limited or the Board or such Compensation Committee, as applicable. The Administrator may delegate to a person or committee of its designation the authority to grant or amend Awards to Participants.

8.2 Registered Holder. The Administrator or its nominee shall be registered in the Register of Members of the Company as the holder of the underlying Shares of any Awards, until such Shares shall have been transferred to the Participant (or a transferee designated by the Participant) in accordance with the terms of the relevant Award Agreement, if applicable.

8.3 Reports. The Administrator is entitled to, in good faith, rely or act upon any report or other information furnished to it by any officer or other Employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

8.4 Authority of the Administrator. Subject to any specific designation in the Plan (including without limitation Section 5.1 hereto), the Administrator has the exclusive power, authority and discretion to:

(a) Designate Participants to receive Awards;

(b) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(c) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the grant price or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;

(d) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or an Award may be canceled, forfeited, or surrendered;

(e) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(f) Decide all other matters that must be determined in connection with an Award;

(g) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(h) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(i) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

8.5 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE 9

EFFECTIVE AND EXPIRATION DATE

9.1 Effective Date. The Plan is effective as of the date it is adopted and approved by the Board and the shareholders of the Company in accordance with the then effective Articles of Association of the Company (the "Effective Date").

9.2 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

ARTICLE 10

AMENDMENT, MODIFICATION, AND TERMINATION

10.1 Amendment, Modification and Termination. With the approval of the Board, at any time and from time to time, the Administrator may terminate, amend or modify the Plan; *provided*, *however*, that (a) to the extent necessary and desirable to comply with Applicable Laws, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the Plan that (i) increases the number of Shares available under the Plan (other than any adjustment as provided by Article 10), (ii) permits the Administrator to extend the term of the Plan, or (iii) results in a material increase in benefits or a change in eligibility requirements.

10.2 Awards Previously Granted. Except with respect to amendments made pursuant to Section 11.15, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

ARTICLE 11

GENERAL PROVISIONS

11.1 No Rights to Awards. No Participant, employee, or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Participants, employees, and other persons uniformly.

11.2 No Shareholders Rights. Participants will not be entitled to any of the rights of a Shareholder of the Company (including to dividends) on unvested portions of Awards. Participants will be entitled to dividends on the vested portions of Awards. The Administrator will hold all vested portions of Awards for the Participant's benefit and exercise the voting rights with respect to those Shares.

11.3 Taxes. No Shares shall be delivered under the Plan to any Participant until such Participant has made arrangements acceptable to the Administrator for the satisfaction of any income and employment tax withholding obligations under Applicable Laws. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy all applicable taxes (including the Participant's payroll tax obligations) required or permitted by Applicable Laws to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Administrator may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the return of Shares) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of Shares which may be withheld with respect to the issuance, vesting or payment of any Award (or which may be repurchased from the Participant of such Award after such

Shares were acquired by the Participant from the Company) in order to satisfy any income and payroll tax liabilities applicable to the Participant with respect to the issuance, vesting or payment of the Award shall, unless specifically approved by the Administrator, be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for the applicable income and payroll tax purposes that are applicable to such supplemental taxable income.

11.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Service Recipient to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employment or services of any Service Recipient.

11.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

11.6 Indemnification. To the extent allowable pursuant to Applicable Laws, each member of the Administrator or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Memorandum of Association and Articles of Association, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

11.7 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

11.8 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

11.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

11.10 Fractional Shares. No fractional Shares shall be issued and the Administrator shall determine, in its discretion, whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding up or down as appropriate.

11.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by the Applicable Laws, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

11.12 Government and Other Regulations. The obligation of the Company to issue Shares in satisfaction of Awards or otherwise shall be subject to all Applicable Laws, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register any of the Shares issued pursuant to the Plan under the Securities Act or any other similar law in any applicable jurisdiction. If the Shares issued pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act or other Applicable Laws, the Company may restrict the transfer of such Shares in such manner as it deems advisable to ensure the availability of any such exemption.

11.13 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the Cayman Islands.

11.14 Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is or may become subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and the Award Agreements shall be interpreted in accordance with Section 409A of the Code and the U.S. Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulation or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may adopt such amendments to the Plan and the applicable Award agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related U.S. Department of Treasury guidance.

11.15 Appendices. The Administrator may approve such supplements, amendments or appendices to the Plan as it may consider necessary or appropriate for

purposes of compliance with Applicable Laws or otherwise and such supplements, amendments or appendices shall be considered a part of the Plan; provided, however, that no such supplements shall increase the share limitation contained in Section 3.1 of the Plan without the approval of the Board and the shareholders of the Company in accordance with the then effective Articles of Association of the Company.

* * * * *

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of Xunlei Limited on , 2014.

I hereby certify that the foregoing Plan was approved by the shareholders of Xunlei Limited on , 2014.

Executed on this day of , 2014.

Name:
Title: Director

XUNLEI LIMITED

AMENDMENT NO.1 TO

2014 SHARE INCENTIVE PLAN

This Amendment ("**Amendment**") to the 2014 Share Incentive Plan (the "**Plan**") of Xunlei Limited (the "**Company**") is effective as of June 11, 2014.

WHEREAS, the Plan has been adopted by the board of directors (the "**Directors**") of the Company on April 24, 2014 and approved by the shareholders of the Company on April 24, 2014.

1. As adopted by the board of Directors and the shareholders of the Company on duly convened meetings on June 11, 2014, effective on the date hereof, Section 5.1(b) of the Plan shall be amended in its entirety to provide as follows:

"Any grant of Awards in respect of Restricted Shares, if such Award is granted to any of Zou Shenglong (□□□), Cheng Hao (□□), Huang Peng (□□) and Wu Jiang (□□), or any of the Directors of the Company, shall require the prior written consent of the Board. For avoidance of doubt, any subsequent amendment or alteration of the terms of the Award or the determination of material commercial terms in relation to the Award, including without limitation to acceleration of vesting and the determination of the violation by the Award grantee of the non-competition arrangement with the Company shall be made by the Board."

2. Notwithstanding the foregoing, except as amended hereby, each of the provisions of the Plan shall remain in full force and effect, and this Amendment shall not constitute a modification, acceptance or waiver of any other provision of the Plan except as specifically provided herein.

3. This Amendment shall be construed in accordance with and governed by the laws of the Cayman Islands.

Exhibit 10.7

FORM INDEMNIFICATION AGREEMENT FOR DIRECTORS AND OFFICERS

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made as of , by and between Xunlei Limited, an exempted company duly incorporated and validly existing under the law of the Cayman Islands (the "Company"), and (the "Indemnitee"), a director/an executive officer of the Company.

WHEREAS, the Indemnitee has agreed to serve as a director/an executive officer of the Company and in such capacity will render valuable services to the Company; and

WHEREAS, in order to induce and encourage highly experienced and capable persons such as the Indemnitee to serve as directors/executive officers of the Company, the board of directors of the Company (the "Board of Directors") has determined that this Agreement is not only reasonable and prudent, but necessary to promote and ensure the best interests of the Company and its shareholders;

NOW, THEREFORE, in consideration of the premises and mutual agreements hereinafter set forth, and other good and valuable consideration, including, without limitation, the service of the Indemnitee, the receipt of which hereby is acknowledged, and in order to induce the Indemnitee to serve as a director/an executive officer of the Company, the Company and the Indemnitee hereby agree as follows:

1. Definitions. As used in this Agreement:

(a) "Change in Control" shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar or successor schedule or form) promulgated under the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (collectively, the "Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred (irrespective of the applicability of the initial clause of this definition) if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Act, but excluding any trustee or other fiduciary holding securities pursuant to an employee benefit or welfare plan or employee share plan of the Company or any subsidiary of the Company, or any entity organized, appointed, established or holding securities of the Company with voting power for or pursuant to the terms of any such plan) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities without the prior approval of at least two-thirds of the Continuing Directors (as defined below) in office immediately prior to such person's attaining such interest; (ii) the Company is a party to a merger,

consolidation, scheme of arrangement, sale of assets or other reorganization, or a proxy contest, as a consequence of which Continuing Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors of the Company (or any successor entity) thereafter; or (iii) during any period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company (including for this purpose any new director whose election or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) (such directors being referred to herein as "Continuing Directors") cease for any reason to constitute at least a majority of the Board of Directors of the Company.

(b) "Disinterested Director" with respect to any request by the Indemnitee for indemnification or advancement of expenses hereunder shall mean a director of the Company who neither is nor was a party to the Proceeding (as defined below) in respect of which indemnification or advancement is being sought by the Indemnitee.

(c) The term "Expenses" shall mean, without limitation, expenses of Proceedings, including attorneys' fees, disbursements and retainers, accounting and witness fees, expenses related to preparation for service as a witness and to service as a witness, travel and deposition costs, expenses of investigations, judicial or administrative proceedings and appeals, amounts paid in settlement of a Proceeding by or on behalf of the Indemnitee, costs of attachment or similar bonds, any expenses of attempting to establish or establishing a right to indemnification or advancement of expenses, under this Agreement, the Company's Memorandum of Association and Articles of Association as currently in effect (the "Articles"), applicable law or otherwise, and reasonable compensation for time spent by the Indemnitee in connection with the investigation, defense or appeal of a Proceeding or action for indemnification for which the Indemnitee is not otherwise compensated by the Company or any third party. The term "Expenses" shall not include the amount of judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, which are actually levied against or sustained by the Indemnitee to the extent sustained after final adjudication.

(d) The term "Independent Legal Counsel" shall mean any firm of attorneys reasonably selected by the Board of Directors of the Company, so long as such firm has not represented the Company, the Company's subsidiaries or affiliates, the Indemnitee, any entity controlled by the Indemnitee, or any party adverse to the Company, within the preceding five (5) years. Notwithstanding the foregoing, the term "Independent Legal Counsel" shall not include any person who, under applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's right to indemnification or advancement of expenses under this Agreement, the Company's Articles, applicable law or otherwise.

(e) The term "Proceeding" shall mean any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, or other proceeding (including, without limitation, an appeal therefrom), formal or informal, whether brought in the name of the Company or otherwise, whether of a civil, criminal, administrative or investigative nature, and whether by, in or involving a court or an administrative, other governmental or private entity or

body (including, without limitation, an investigation by the Company or its Board of Directors), by reason of (i) the fact that the Indemnitee is or was a director/an executive officer of the Company, or is or was serving at the request of the Company as an agent of another enterprise, whether or not the Indemnitee is serving in such capacity at the time any liability or expense is incurred for which indemnification or reimbursement is to be provided under this Agreement, (ii) any actual or alleged act or omission or neglect or breach of duty, including, without limitation, any actual or alleged error or misstatement or misleading statement, which the Indemnitee commits or suffers while acting in any such capacity, or (iii) the Indemnitee attempting to establish or establishing a right to indemnification or advancement of expenses pursuant to this Agreement, the Company's Articles, applicable law or otherwise.

(f) The phrase "serving at the request of the Company as an agent of another enterprise" or any similar terminology shall mean, unless the context otherwise requires, serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, limited liability company, trust, employee benefit or welfare plan or other enterprise, foreign or domestic. The phrase "serving at the request of the Company" shall include, without limitation, any service as a director/an executive officer of the Company which imposes duties on, or involves services by, such director/executive officer with respect to the Company or any of the Company's subsidiaries, affiliates, employee benefit or welfare plans, such plan's participants or beneficiaries or any other enterprise, foreign or domestic. In the event that the Indemnitee shall be a director, officer, employee or agent of another corporation, partnership, joint venture, limited liability company, trust, employee benefit or welfare plan or other enterprise, foreign or domestic, 50% or more of the ordinary shares, combined voting power or total equity interest of which is owned by the Company or any subsidiary or affiliate thereof, then it shall be presumed conclusively that the Indemnitee is so acting at the request of the Company.

2. Services by the Indemnitee. [For a director: The Indemnitee agrees to serve as a director of the Company under the terms of the Indemnitee's agreement with the Company for so long as the Indemnitee is duly elected or appointed or until such time as the Indemnitee tenders a resignation in writing or is removed as a director; provided, however, that the Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or other obligation imposed by operation of law).][For an executive officer: The Indemnitee agrees to serve as an executive officer of the Company under the terms of the Indemnitee's agreement with the Company until such time as the Indemnitee's employment is terminated for any reason.]

3. Proceedings By or In the Right of the Company. The Company shall indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or is otherwise involved in any Proceeding by or in the right of the Company to procure a judgment in its favor by reason of the fact that the Indemnitee is or was a director/an executive officer of the Company, or is or was serving at the request of the Company as an agent of another enterprise, against all Expenses, judgments, fines, interest or penalties, and excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by the Indemnitee in connection with the defense or settlement of such a Proceeding, to the fullest extent permitted by applicable law.

4. Proceeding Other Than a Proceeding By or In the Right of the Company. The Company shall indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or is otherwise involved in any Proceeding (other than a Proceeding by or in the right of the Company), by reason of the fact that the Indemnitee is or was a director/an executive officer of the Company, or is or was serving at the request of the Company as an agent of another enterprise, against all Expenses, judgments, fines, interest or penalties, and excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by the Indemnitee in connection with such a Proceeding, to the fullest extent permitted by applicable law; provided, however, that any settlement of a Proceeding must be approved in advance in writing by the Company (which approval shall not be unreasonably withheld).

5. Indemnification for Costs, Charges and Expenses of Witness or Successful Party. Notwithstanding any other provision of this Agreement (except as set forth in subparagraph 9(a) hereof), and without a requirement for determination as required by Paragraph 8 hereof, to the extent that the Indemnitee (a) has prepared to serve or has served as a witness in any Proceeding in any way relating to (i) the Company or any of the Company's subsidiaries, affiliates, employee benefit or welfare plans or such plan's participants or beneficiaries or (ii) anything done or not done by the Indemnitee as a director/an executive officer of the Company or in connection with serving at the request of the Company as an agent of another enterprise, or (b) has been successful in defense of any Proceeding or in defense of any claim, issue or matter therein, on the merits or otherwise, including the dismissal of a Proceeding without prejudice or the settlement of a Proceeding without an admission of liability, the Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee in connection therewith to the fullest extent permitted by applicable law.

6. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for a portion of the Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by the Indemnitee in the investigation, defense, appeal or settlement of any Proceeding, but not, however, for the total amount of the Indemnitee's Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, then the Company shall nevertheless indemnify the Indemnitee for the portion of such Expenses, judgments, fines, interest penalties or excise taxes to which the Indemnitee is entitled.

7. Advancement of Expenses. The Expenses incurred by the Indemnitee in any Proceeding shall be paid promptly by the Company in advance of the final disposition of the Proceeding at the written request of the Indemnitee to the fullest extent permitted by applicable law; provided, however, that the Indemnitee shall set forth in such request reasonable evidence that such Expenses have been incurred by the Indemnitee in

connection with such Proceeding, a statement that such Expenses do not relate to any matter described in subparagraph 9(a) of this Agreement, and an undertaking in writing to repay any advances if it is ultimately determined as provided in subparagraph 8(b) of this Agreement that the Indemnitee is not entitled to indemnification under this Agreement.

8. Indemnification Procedure; Determination of Right to Indemnification.

(a) Promptly after receipt by the Indemnitee of notice of the commencement of any Proceeding, the Indemnitee shall, if a claim for indemnification or advancement of Expenses in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof in writing. The omission to so notify the Company will not relieve the Company from any liability which the Company may have to the Indemnitee under this Agreement unless the Company shall have lost significant substantive or procedural rights with respect to the defense of any Proceeding as a result of such omission to so notify.

(b) The Indemnitee shall be conclusively presumed to have met the relevant standards of conduct, if any, as defined by applicable law, for indemnification pursuant to this Agreement and shall be absolutely entitled to such indemnification, unless a determination is made that the Indemnitee has not met such standards by (i) the Board of Directors by a majority vote of a quorum thereof consisting of Disinterested Directors, (ii) the shareholders of the Company by majority vote of a quorum thereof consisting of shareholders who are not parties to the Proceeding due to which a claim for indemnification is made under this Agreement, (iii) Independent Legal Counsel as set forth in a written opinion (it being understood that such Independent Legal Counsel shall make such determination only if the quorum of Disinterested Directors referred to in clause (i) of this subparagraph 8(b) is not obtainable or if the Board of Directors of the Company by a majority vote of a quorum thereof consisting of Disinterested Directors so directs), or (iv) a court of competent jurisdiction; provided, however, that if a Change of Control shall have occurred and the Indemnitee so requests in writing, such determination shall be made only by a court of competent jurisdiction.

(c) If a claim for indemnification or advancement of Expenses under this Agreement is not paid by the Company within thirty (30) days after receipt by the Company of written notice thereof, the rights provided by this Agreement shall be enforceable by the Indemnitee in any court of competent jurisdiction. Such judicial proceeding shall be made de novo. The burden of proving that indemnification or advances are not appropriate shall be on the Company. Neither the failure of the directors or shareholders of the Company or Independent Legal Counsel to have made a determination prior to the commencement of such action that indemnification or advancement of Expenses is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, if any, nor an actual determination by the directors or shareholders of the Company or Independent Legal Counsel that the Indemnitee has not met the applicable standard of conduct shall be a defense to an action by the Indemnitee or create a presumption for the purpose of such an action that the Indemnitee has not met the applicable standard of conduct. The termination of any Proceeding by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself (i) create a presumption that the Indemnitee did not act in good faith and in a manner which he reasonably believed to be in the best interests of the Company and/or its shareholders, and, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that his conduct was unlawful or (ii) otherwise adversely affect the rights of the Indemnitee to indemnification or advancement of Expenses under this Agreement, except as may be provided herein.

(d) If a court of competent jurisdiction shall determine that the Indemnitee is entitled to any indemnification or advancement of Expenses hereunder, the Company shall pay all

Expenses actually and reasonably incurred by the Indemnitee in connection with such adjudication (including, but not limited to, any appellate proceedings).

(e) With respect to any Proceeding for which indemnification or advancement of Expenses is requested, the Company will be entitled to participate therein at its own expense and, except as otherwise provided below, to the extent that it may wish, the Company may assume the defense thereof, with counsel reasonably satisfactory to the Indemnitee. After notice from the Company to the Indemnitee of its election to assume the defense of a Proceeding, the Company will not be liable to the Indemnitee under this Agreement for any Expenses subsequently incurred by the Indemnitee in connection with the defense thereof, other than as provided below. The Company shall not settle any Proceeding in any manner which would impose any penalty or limitation on the Indemnitee without the Indemnitee's written consent. The Indemnitee shall have the right to employ his own counsel in any Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense of the Proceeding shall be at the expense of the Indemnitee, unless (i) the employment of counsel by the Indemnitee has been authorized by the Company, (ii) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of the defense of a Proceeding, or (iii) the Company shall not in fact have employed counsel to assume the defense of a proceeding, in each of which cases the fees and expenses of the Indemnitee's counsel shall be advanced by the Company. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company or as to which the Indemnitee has reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee.

9. Limitations on Indemnification. No payments pursuant to this Agreement shall be made by the Company:

(a) To indemnify or advance funds to the Indemnitee for Expenses with respect to (i) Proceedings initiated or brought voluntarily by the Indemnitee and not by way of defense, except with respect to Proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under applicable law or (ii) Expenses incurred by the Indemnitee in connection with preparing to serve or serving, prior to a Change in Control, as a witness in cooperation with any party or entity who or which has threatened or commenced any action or proceeding against the Company, or any director, officer, employee, trustee, agent, representative, subsidiary, parent corporation or affiliate of the Company, but such indemnification or advancement of Expenses in each such case may be provided by the Company if the Board of Directors finds it to be appropriate;

(b) To indemnify the Indemnitee for any Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, and sustained in any Proceeding for which payment is actually made to the Indemnitee under a valid and collectible insurance policy, except in respect of any excess beyond the amount of payment under such insurance;

(c) To indemnify the Indemnitee for any Expenses, judgments, fines, expenses or penalties sustained in any Proceeding for an accounting of profits made from the purchase or sale by the Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of

the Act or similar provisions of any foreign or United States federal, state or local statute or regulation;

(d) To indemnify the Indemnitee for any Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, for which the Indemnitee is indemnified by the Company otherwise than pursuant to this Agreement;

(e) To indemnify the Indemnitee for any Expenses (including without limitation any Expenses relating to a Proceeding attempting to enforce this Agreement), judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, on account of the Indemnitee's conduct if such conduct shall be finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct, including, without limitation, breach of the duty of loyalty; or

(f) If a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful.

10. Continuation of Indemnification. All agreements and obligations of the Company contained herein shall continue during the period that the Indemnitee is a director/an executive officer of the Company (or is or was serving at the request of the Company as an agent of another enterprise, foreign or domestic) and shall continue thereafter so long as the Indemnitee shall be subject to any possible Proceeding by reason of the fact that the Indemnitee was a director/an executive officer of the Company or serving in any other capacity referred to in this Paragraph 10.

11. Indemnification Hereunder Not Exclusive. The indemnification provided by this Agreement shall not be deemed to be exclusive of any other rights to which the Indemnitee may be entitled under the Company's Articles, any agreement, vote of shareholders or vote of Disinterested Directors, provisions of applicable law, or otherwise, both as to action or omission in the Indemnitee's official capacity and as to action or omission in another capacity on behalf of the Company while holding such office.

12. Successors and Assigns.

(a) This Agreement shall be binding upon the Indemnitee, and shall inure to the benefit of, the Indemnitee and the Indemnitee's heirs, executors, administrators and assigns, whether or not the Indemnitee has ceased to be a director/an executive officer, and the Company and its successors and assigns. Upon the sale of all or substantially all of the business, assets or share capital of the Company to, or upon the merger of the Company into or with, any corporation, partnership, joint venture, trust or other person, this Agreement shall inure to the benefit of and be binding upon both the Indemnitee and such purchaser or successor person. Subject to the foregoing, this Agreement may not be assigned by either party without the prior written consent of the other party hereto.

(b) If the Indemnitee is deceased and is entitled to indemnification under any provision of this Agreement, the Company shall indemnify the Indemnitee's estate and the Indemnitee's spouse, heirs, executors, administrators and assigns against, and the Company shall, and does hereby agree to assume, any and all Expenses actually and reasonably incurred by or for

the Indemnitee or the Indemnitee's estate, in connection with the investigation, defense, appeal or settlement of any Proceeding. Further, when requested in writing by the spouse of the Indemnitee, and/or the Indemnitee's heirs, executors, administrators and assigns, the Company shall provide appropriate evidence of the Company's agreement set out herein to indemnify the Indemnitee against and to itself assume such Expenses.

13. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

14. Severability. Each and every paragraph, sentence, term and provision of this Agreement is separate and distinct so that if any paragraph, sentence, term or provision thereof shall be held to be invalid, unlawful or unenforceable for any reason, such invalidity, unlawfulness or unenforceability shall not affect the validity, unlawfulness or enforceability of any other paragraph, sentence, term or provision hereof. To the extent required, any paragraph, sentence, term or provision of this Agreement may be modified by a court of competent jurisdiction to preserve its validity and to provide the Indemnitee with the broadest possible indemnification permitted under applicable law. The Company's inability, pursuant to a court order or decision, to perform its obligations under this Agreement shall not constitute a breach of this Agreement.

15. Savings Clause. If this Agreement or any paragraph, sentence, term or provision hereof is invalidated on any ground by any court of competent jurisdiction, the Company shall nevertheless indemnify the Indemnitee as to any Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, which are incurred with respect to any Proceeding to the fullest extent permitted by any (a) applicable paragraph, sentence, term or provision of this Agreement that has not been invalidated or (b) applicable law.

16. Interpretation; Governing Law. This Agreement shall be construed as a whole and in accordance with its fair meaning and any ambiguities shall not be construed for or against either party. Headings are for convenience only and shall not be used in construing meaning. This Agreement shall be governed and interpreted in accordance with the laws of the State of New York without regard to the conflict of laws principles thereof.

17. Amendments. No amendment, waiver, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by the party against whom enforcement is sought. The indemnification rights afforded to the Indemnitee hereby are contract rights and may not be diminished, eliminated or otherwise affected by amendments to the Company's Articles, or by other agreements, including directors' and officers' liability insurance policies, of the Company.

18. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to the other.

19. Notices. Any notice required to be given under this Agreement shall be directed to Mr. Jun Zou of the Company at 7/F, Building 11, Shenzhen Software Park II, Shenzhen High-Tech

Park, Shenzhen 518057, People's Republic of China, and to the Indemnitee at or to such other address as either shall designate to the other in writing.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Indemnification Agreement as of the date first written above.

INDEMNITEE

_____
Name:

XUNLEI LIMITED

By: _____

Name:
Title:

Exhibit 10.8

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), is entered into as of (the "Effective Date"), by and between Xunlei Limited, a company incorporated and existing under the laws of the Cayman Islands (the "Company") and , an individual (the "Executive"). Except with respect to the direct employment of the Executive by the Company, the term "Company" as used herein with respect to all obligations of the Executive hereunder shall be deemed to include the Company and all of its subsidiaries and affiliated entities (collectively, the "Group").

RECITALS

A. The Company desires to employ the Executive as its and to assure itself of the services of the Executive during the term of Employment (as defined below).

B. The Executive desires to be employed by the Company as its during the term of Employment and upon the terms and conditions of this Agreement.

AGREEMENT

The parties hereto agree as follows:

1. POSITION

The Executive hereby accepts a position of (the "Employment") of the Company.

2. TERM

Subject to the terms and conditions of this Agreement, the initial term of the Employment shall be five years commencing on the Effective Date, unless terminated earlier pursuant to the terms of this Agreement. Upon expiration of the initial five-year term, the parties may extend the Employment term by entering into negotiations within one month prior to the expiration.

3. PROBATION

No probationary period.

4. DUTIES AND RESPONSIBILITIES

The Executive's duties at the Company will include all jobs assigned by the Company's Board of the Directors (the "Board") or the Company's Chief Executive Officer, as the case may be.

The Executive shall devote all of his or her working time, attention and skills to the performance of his or her duties at the Company and shall faithfully and diligently serve the Company in accordance with this Agreement, the Memorandum and Articles of Association of the Company, as amended and restated from time to time (the "Articles of Association"), and the guidelines, policies and procedures of the Company approved from time to time by the Board.

The Executive shall use his or her best efforts to perform his or her duties hereunder. The Executive shall not, without the prior written consent of the Board, become an employee of any entity other than the Company and any subsidiary or affiliate of the Company, and shall not be concerned or interested in any business or entity that engages in the same business in which the Company engages (any such business or entity, a "Competitor"), provided that nothing in this clause shall preclude the Executive from holding any shares or other securities of any Competitor that is listed on any securities exchange or recognized securities market anywhere. The Executive shall notify the Company in writing of his or her interest in such shares or securities in a timely manner and with such details and particulars as the Company may reasonably require.

5. NO BREACH OF CONTRACT

The Executive hereby represents to the Company that: (i) the execution and delivery of this Agreement by the Executive and the performance by the Executive of the Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any other agreement or policy to which the Executive is a party or otherwise bound except for agreements entered into by and between the Executive and any member of the Group pursuant to applicable law, if any; (ii) that the Executive has no information (including, without limitation, confidential information and trade secrets) relating to any other person or entity which would prevent, or be violated by, the Executive entering into this Agreement or carrying out his or her duties hereunder; (iii) that the Executive is not bound by any confidentiality, trade secret or similar agreement (other than this) with any other person or entity except for other member(s) of the Group, as the case may be.

6. LOCATION

The Executive will be based in Shenzhen, China. The Company reserves the right to transfer or second the Executive to any location in China or elsewhere in accordance with its operational requirements.

7. COMPENSATION AND BENEFITS

(a) Cash Compensation. The Executive's cash compensation (including salary and bonus) shall be determined by the Company and specified in a standalone agreement between the Executive and the Company's designated subsidiary or affiliated entity and such compensation is subject to annual review and adjustment by the Company.

(b) Equity Incentives. To the extent the Company adopts and maintains a share incentive plan, the Executive will be eligible for participating in such plan pursuant to the terms thereof as determined by the Company.

(c) Benefits. The Executive is eligible for participation in any standard employee benefit plan of the Company that currently exists or may be adopted by the Company in the future, including, but not limited to, any retirement plan, life insurance plan, health insurance plan and travel/holiday plan.

8. TERMINATION OF THE AGREEMENT

(a) By Company.

(i) For Cause. The Company may terminate the Employment for cause, at any time, without notice or remuneration (unless notice or remuneration is specifically required by applicable law, in which case notice or remuneration will be provided in accordance with applicable law), if:

(1) the Executive is convicted or pleads guilty to a felony or to an act of fraud, misappropriation or embezzlement,

(2) the Executive has been grossly negligent or acted dishonestly to the detriment of the Company, or

(3) the Executive has engaged in actions amounting to willful misconduct or failed to perform his or her duties hereunder and such failure continues after the Executive is afforded a reasonable opportunity to cure such failure.

(ii) For death and disability. The Company may also terminate the Employment, at any time, without notice or remuneration (unless notice or remuneration is specifically required by applicable law, in which case notice or remuneration will be provided in accordance with applicable law), if:

(1) the Executive has died, or

(2) the Executive has a disability which shall mean a physical or mental impairment which, as reasonably determined by the Board, renders the Executive unable to perform the essential functions of his or her employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, for more than 180 days in any 12-month period, unless a longer period is required by applicable law, in which case that longer period would apply.

(iii) Without Cause. The Company may terminate the Employment without cause, at any time, upon a two-month written notice.

(b) By the Executive. The Executive may terminate the Employment at any time with a two-months' prior written notice to the Company.

(c) Notice of Termination. Any termination of the Executive's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. The notice of termination shall indicate the specific provision(s) of this Agreement relied upon in effecting the termination.

9. CONFIDENTIALITY AND NONDISCLOSURE

(a) Confidentiality and Non-disclosure. The Executive hereby agrees at all times during the term of the Employment and after its termination, to hold in the

strictest confidence, and not to use, except for the benefit of the Company, or to disclose to any person, corporation or other entity without written consent of the Company, any Confidential Information. The Executive understands that "Confidential Information" means any proprietary or confidential information of the Company, its affiliates, or their respective clients, customers or partners, including, without limitation, technical data, trade secrets, research and development information, product plans, services, customer lists and customers, supplier lists and suppliers, software developments, inventions, processes, formulas, technology, designs, hardware configuration information, personnel information, marketing, finances, information about the suppliers, joint ventures, franchisees, distributors and other persons with whom the Company does business, information regarding the skills and compensation of other employees of the Company or other business information disclosed to the Executive by or obtained by the Executive from the Company, its affiliates, or their respective clients, customers or partners either directly or indirectly in writing, orally or otherwise, if specifically indicated to be confidential or reasonably expected to be confidential. Notwithstanding the foregoing, Confidential Information shall not include information that is generally available and known to the public through no fault of the Executive.

(b) Company Property. The Executive understands that all documents (including computer records, facsimile and e-mail) and materials created, received or transmitted in connection with his or her work or using the facilities of the Company are property of the Company and subject to inspection by the Company, at any time. Upon termination of the Executive's employment with the Company (or at any other time when requested by the Company), the Executive will promptly deliver to the Company all documents and materials of any nature pertaining to his work with the Company and will provide written certification of his or her compliance with this Agreement. Under no circumstances will the Executive have, following his or her termination, in his or her possession any property of the Company, or any documents or materials or copies thereof containing any Confidential Information.

(c) Former Employer Information. The Executive agrees that he or she has not and will not, during the term of his or her employment, (i) improperly use or disclose any proprietary information or trade secrets of any former employer or other person or entity with which the Executive has an agreement or duty to keep in confidence information acquired by Executive, if any, or (ii) bring into the premises of the Company any document or confidential or proprietary information belonging to such former employer, person or entity unless consented to in writing by such former employer, person or entity. The Executive will indemnify the Company and hold it harmless from and against all claims, liabilities, damages and expenses, including reasonable attorneys' fees and costs of suit, arising out of or in connection with any violation of the foregoing.

(d) Third Party Information. The Executive recognizes that the Company may have received, and in the future may receive, from third parties their confidential or proprietary information subject to a duty on the Company's

part to maintain the confidentiality of such information and to use it only for certain limited purposes. The Executive agrees that the Executive owes the Company and such third parties, during the Executive's employment by the Company and thereafter, a duty to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person or firm and to use it in a manner consistent with, and for the limited purposes permitted by, the Company's agreement with such third party.

This Section 9 shall survive the termination of this Agreement for any reason. In the event the Executive breaches this Section 9, the Company shall have right to seek remedies permissible under applicable law.

10. CONFLICTING EMPLOYMENT

The Executive hereby agrees that, during the term of his or her employment with the Company, he or she will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during the term of the Executive's employment, nor will the Executive engage in any other activities that conflict with his or her obligations to the Company without the prior written consent of the Company.

11. NON-COMPETITION AND NON-SOLICITATION

In consideration of the salary paid to the Executive by the Company and subject to applicable law, the Executive agrees that during the term of the Employment and for a period of one (1) year following the termination of the Employment for whatever reason:

(a) The Executive will not approach clients, customers or contacts of the Company or other persons or entities introduced to the Executive in the Executive's capacity as a representative of the Company for the purposes of doing business with such persons or entities which will harm the business relationship between the Company and such persons and/or entities;

(b) unless expressly consented to by the Company, the Executive will not assume employment with or provide services as a director or otherwise for any Competitor, or engage, whether as principal, partner, licensor or otherwise, in any Competitor; and

(c) unless expressly consented to by the Company, the Executive will not seek, directly or indirectly, by the offer of alternative employment or other inducement whatsoever, to solicit the services of any employee of the Company employed as at or after the date of such termination, or in the year preceding such termination.

The provisions contained in Section 11 are considered reasonable by the Executive and the Company. In the event that any such provisions should be found to be void under applicable laws but would be valid if some part thereof was deleted or the period or area of application reduced, such provisions shall apply with such modification as may be necessary to make them valid and effective.

This Section 11 shall survive the termination of this Agreement for any reason. In the event the Executive breaches this Section 11, the Executive acknowledges that there will be no adequate remedy at law, and the Company shall be entitled to injunctive relief and/or a decree for specific performance, and such other relief as may be proper (including monetary damages if appropriate). In any event, the Company shall have right to seek all remedies permissible under applicable law.

12. WITHHOLDING TAXES

Notwithstanding anything else herein to the contrary, the Company may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to this Agreement such national, provincial, local or any other income, employment, or other taxes as may be required to be withheld pursuant to any applicable law or regulation.

13. ASSIGNMENT

This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that (i) the Company may assign or transfer this Agreement or any rights or obligations hereunder to any member of the Group without such consent.

14. SEVERABILITY

If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.

15. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement and understanding between the Executive and the Company regarding the terms of the Employment and supersedes all prior or contemporaneous oral or written agreements concerning such subject matter. The Executive acknowledges that he or she has not entered into this Agreement in reliance upon any representation, warranty or undertaking which is not set forth in this Agreement. Any amendment to this Agreement must be in writing and signed by the Executive and the Company.

16. GOVERNING LAW; JURISDICTION

This Agreement shall be governed by and construed in accordance with the laws of the Cayman Islands. Each party hereto irrevocably agrees that the courts of the Cayman Islands shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes which may arise out of or in connection with this Agreement and for such purposes irrevocably submits to the jurisdiction of such courts.

17. AMENDMENT

This Agreement may not be amended, modified or changed (in whole or in part), except by a formal, definitive written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto.

18. WAIVER

Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

19. NOTICES

All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given and made if (i) delivered by hand, (ii) otherwise delivered against receipt therefor, or (iii) sent by a recognized courier with next-day or second-day delivery to the last known address of the other party.

20. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

21. NO INTERPRETATION AGAINST DRAFTER

Each party recognizes that this Agreement is a legally binding contract and acknowledges that it, he or she has had the opportunity to consult with legal counsel of choice. In any construction of the terms of this Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such terms.

[Remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

Xunlei Limited

By: _____
Name:
Title:

Executive

Signature: _____
Name:
Title:

Schedule A

Cash Compensation

	Amount	Pay Period
Salary		
Bonus		

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), is entered into as of (the "Effective Date"), by and between Xunlei Limited, a company incorporated and existing under the laws of the Cayman Islands (the "Company") and, (the "Executive"). Except with respect to the direct employment of the Executive by the Company, the term "Company" as used herein with respect to all obligations of the Executive hereunder shall be deemed to include the Company and all of its subsidiaries and affiliated entities (collectively, the "Group").

RECITALS

A. The Company desires to employ the Executive as its and to assure itself of the services of the Executive during the term of Employment (as defined below).

B. The Executive desires to be employed by the Company as its during the term of Employment and upon the terms and conditions of this Agreement.

AGREEMENT

The parties hereto agree as follows:

1. POSITION

The Executive hereby accepts a position of (the "Employment") of the Company.

2. TERM

Subject to the terms and conditions of this Agreement, the initial term of the employment shall be three years commencing on the Effective Date, unless terminated earlier pursuant to the terms of this Agreement. Upon expiration of the initial three-year term, the term of the Employment can be renewed for a period of no more than three years at the sole discretion of the Company by giving the Executive thirty days' written notice prior to the expiration of the initial term of Employment.

3. PROBATION

The Executive will be required to undergo a probation period of three months beginning on the Effective Date.

4. DUTIES AND RESPONSIBILITIES

The Executive's duties at the Company will include all jobs assigned by the Company's Board of the Directors (the "Board") or the Company's Chief Executive Officer, as the case may be, especially those jobs in connection with the proposed IPO (as defined below) of the Company.

The Executive shall devote all of his or her working time, attention and skills to the performance of his or her duties at the Company and shall faithfully and diligently serve the Company in accordance with this Agreement, the Memorandum and Articles of Association of the Company, as amended and restated from time to time

(the "Articles of Association"), and the guidelines, policies and procedures of the Company approved from time to time by the Board.

The Executive shall use his or her best efforts to perform his or her duties hereunder. The Executive shall not, without the prior written consent of the Board, become an employee of any entity other than the Company and any subsidiary or affiliate of the Company, and shall not be concerned or interested in any business or entity that engages in the same business in which the Company engages (any such business or entity, a "Competitor"), provided that nothing in this clause shall preclude the Executive from holding less than 5% shares or other securities of any Competitor that is listed on any securities exchange or recognized securities market anywhere. The Executive shall notify the Company in writing of his or her interest in such shares or securities in a timely manner and with such details and particulars as the Company may reasonably require.

5. NO BREACH OF CONTRACT

The Executive hereby represents to the Company that: (i) the execution and delivery of this Agreement by the Executive and the performance by the Executive of the Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any other agreement or policy to which the Executive is a party or otherwise bound except for agreements entered into by and between the Executive and any member of the Group pursuant to applicable law, if any; (ii) that the Executive has no information (including, without limitation, confidential information and trade secrets) relating to any other person or entity which would prevent, or be violated by, the Executive entering into this Agreement or carrying out his or her duties hereunder; (iii) that the Executive is not bound by any confidentiality, trade secret or similar agreement (other than this) with any other person or entity except for other member(s) of the Group, as the case may be.

6. LOCATION

The Executive's principal place of employment, on or prior to the completion of an underwritten public offering of securities of the Company pursuant to an effective registration statement under the US Securities Act of 1933 ("IPO"), shall be the Company's principal executive offices, which are currently located in Shenzhen, the People's Republic of China. The Executive may telecommute from Singapore as may be reasonably practicable subject to Company's needs after the completion of the Company's IPO. The Executive acknowledges that he may be required to travel from time to time in the course of performing his duties for the Company.

7. COMPENSATION AND BENEFITS

(a) Base Salary. The Executive will be entitled to an annual base salary of , which shall be payable in equal installments in arrears on or before the last day of each calendar month. The Executive's annual base salary shall be subject to annual review based on his performance.

(b) Bonuses.

a. First-year Guaranteed Cash Bonus. If the Executive joins the Company on or before the Effective Date, he will be entitled to a one-time cash bonus of , which shall be payable in , provided that the Executive remains employed with the Company when such bonus is paid.

b. Successful IPO Cash Bonus. If the Company successfully completes an IPO on or prior to the one year anniversary of the Effective Date, the Executive will be entitled to a one-time cash bonus of , payable within one month after the completion of the IPO.

c. Performance Bonus. Beginning on the one year anniversary of the Effective Date, for each calendar year of the Executive's employment, the Executive will be eligible for a cash bonus in an amount of up to of his annual base salary based on performance benchmarks to be determined by the Company in its sole discretion. The annual performance bonus, if any, shall be payable in April of the following year.

(c) Restricted Shares and Share Options.

a. Grants. If the Executive begin his employment with the Company on or before the Effective Date, on the Effective Date, the Executive will be granted restricted common shares of the Company ("**Restricted Shares**"), equal to approximately % of the issued and outstanding shares of the capital stock of the Company (consisting of both common shares and preferred shares) as of date of this Agreement, and options ("**Share Options**") to purchase common shares of the Company, equal to approximately % of the issued and outstanding shares of the capital stock of the Company (consisting of both common shares and preferred shares) as of date of this Agreement (such Restricted Share and Share Option grants, collectively, the "**Initial Grants**"). The grant of Restricted Shares shall be made pursuant to the Company's 2013 Share Incentive Plan adopted on November . The grant of Share Options shall be made pursuant to the Company's 2010 Share Incentive Plan adopted December .

When the market cap of the Company (the "**Market Cap**") following an IPO equals or exceeds (the "**Market Cap Trigger**"), as determined below, an additional grant of Share Options to purchase common shares of the Company will be made to you on the first business day after the Market Cap Trigger is satisfied in an amount equal to approximately % of the issued and outstanding shares of the capital stock of the Company (consisting of both common shares and preferred shares) as of the date of this Agreement (the "**Market Cap Grants**"). The Company's

Market Cap shall be calculated based upon the closing price of the Company's American Depositary Shares on the principal exchange upon which such shares are listed, and shall be equal to such closing price times all issued and outstanding common shares of the Company, with appropriate adjustments for differentials between the value of one common share and the value of one American Depositary Share. The Market Cap Trigger shall be satisfied when, at any time commencing six months after completion of the Company's IPO, the Company's Market Cap equals or exceeds for any five (5) consecutive trading days or the monthly average daily market cap equals or exceeds for any calendar month.

b. Purchase/Exercise Price of Restricted Shares and Share Options. The purchase price for the Restricted Shares granted under the Initial Grants shall be the par value per share of .

The exercise price for the Share Options granted under the Initial Grants and the Market Cap Grants shall be per share, which equal seventy percent (70%) of the fair market value of per common share as determined by the Company with reference to the valuation report of the Company dated August 1, 2012.

c. Vesting Schedules. Twenty-five percent of the Restricted Shares and Share Options granted under the Initial Grants shall vest on the earlier of: (i) the one year anniversary of the grant date (same as the Effective Date), or (ii) the first business day after the IPO is completed, and the remainder seventy-five percent (75%) of such Restricted Shares and Share Options shall vest in equal installments on a monthly basis over a thirty-six (36) month vesting period afterwards. For the avoidance of doubt, should the Initial Grants vest prior to the one year anniversary of the grant date as a result of a successful IPO, the remainder 75% of such Restricted Shares and Share Options shall start to vest in equal installments on a monthly basis immediately after the month of the successful IPO.

The Share Options granted under the Market Cap Grants shall vest in equal installments on a monthly basis over a forty-eight (48) month vesting period commencing on the applicable grant date.

(d) Annual Leave. The Executive is entitled to fifteen working days' paid annual leave in each calendar year of his employment, which may be taken at such reasonable times as the Executive and the Company may mutually agree.

(e) Benefits. The Executive is eligible to participate in any Company employee benefit plans for expatriate employees, as may be adopted or amended by the Company from time to time in the Company's sole discretion.

8. TERMINATION OF THE AGREEMENT

(a) By the Company.

(i) For Cause. The Company may terminate the Employment for cause, at any time, without notice or remuneration (unless notice or remuneration is specifically required by applicable law, in which case notice or remuneration will be provided in accordance with applicable law), if:

1) the Executive commits a crime involving dishonesty or breach of trust;

2) the Executive willfully engages in conduct that is in bad faith and materially injurious to the Company, including but not limited to, misappropriation of trade secrets, fraud or embezzlement;

3) the Executive commits a material breach of this Agreement or any other agreements between the Executive and the Company;

4) the Executive becomes insolvent, bankrupt or has made arrangements or compositions with his creditors generally; or

5) there are other grounds as reasonably determined by the Company that would warrant termination of the Executive's employment for cause at common law or pursuant to any applicable laws.

(ii) For death and disability. The Company may also terminate the Employment, at any time, without notice or remuneration (unless notice or remuneration is specifically required by applicable law, in which case notice or remuneration will be provided in accordance with applicable law), if:

1) the Executive has died, or

2) the Executive has a disability which shall mean a physical or mental impairment which, as reasonably determined by the Board, renders the Executive unable to perform the essential functions of his or her employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, for more than 180 days in any 12-month period, unless a longer period is required by applicable law, in which case that longer period would apply.

(iii) Without Cause. The Company may terminate the Employment without cause, at any time, upon (i) two weeks' written notice during the

probation period and (ii) three months' written notice after the probation period. Upon termination without cause during the probation period or after the first anniversary of the Effective Date, the Company shall provide a lump sum cash payment equal to the Executive's base salary during the notice period. Upon termination without cause during the period between the expiration date of the probation period and the first anniversary of the Effective Date, the Company shall provide a lump sum cash payment equal to the balance of the Executive's base salary for the first year of employment, if any.

(b) By the Executive. The Executive may terminate the Employment at any time upon (i) two weeks' written notice during the probation period and (ii) three months' written notice after the expiration of the probation period, or by paying the Company an amount equal to the amount of the Executive's base salary during the notice period. In addition, the Executive may resign prior to the expiration of the Agreement if such resignation is approved by the Board or an alternative arrangement with respect to the Employment is agreed to by the Board.

(c) Treatment of Restricted Shares and Share Options. In the event the Executive's employment with the Company is terminated for any reason, the Executive's right to any unvested portion of Restricted Shares or Share Options will be terminated as of the earlier of: (i) the date that the Executive gives or is provided with written notice of such termination, or (ii) the date on which the Executive is no longer actively employed and physically present on the premises of the Company, regardless of any notice period requirement under the applicable law. To avoid any doubt, no Restricted Shares or Share Options will vest during the notice period. If the termination of Employment occurs prior to the closing date of an IPO, the Company or any entity designated by the Company will be entitled to repurchase the vested portion of Restricted Shares and Share Options from the Executive at the price determined by the Company per a valuation report to be provided by a thirty party, and the Executive's right to such vested portion of the Restricted Shares or Share Options will be terminated immediately. The Executive will be responsible for all income tax liabilities arising from the repurchase of the Restricted Shares or Share Options by the Company.

If the Executive is terminated without Cause at any time, the Executive will be entitled to retain any vested Restricted Shares or Share Options subject to the repurchase rights of the Company set forth in this Section 8(c). Also, if the Executive is terminated for Cause, his right to such vested portion of the Restricted Shares or Share Options will be terminated immediately. Furthermore, if the Executive is terminated with Cause, notwithstanding the Company's right to repurchase the vested portion of Restricted Shares and Share Options from the Executive, the Company shall be entitled to claim for any losses and damages against the Executive, which entitlement shall not be prejudiced or otherwise affected by the Company's repurchase of the Restricted Shares and Share Options from the Executive.

(d) Termination of Remuneration. Except as set forth herein, all of the Executive's rights to remuneration will cease upon termination of Employment.

(e) Notice of Termination. Any termination of the Executive's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. The notice of termination shall indicate the specific provision(s) of this Agreement relied upon in effecting the termination.

9. CONFIDENTIALITY AND NONDISCLOSURE

(a) Confidentiality and Non-disclosure. The Executive hereby agrees at all times during the term of the Employment and after its termination, to hold in the strictest confidence, and not to use, except for the benefit of the Company, or to disclose to any person, corporation or other entity without written consent of the Company, any Confidential Information. The Executive understands that "Confidential Information" means any proprietary or confidential information of the Company, its affiliates, or their respective clients, customers or partners, including, without limitation, technical data, trade secrets, research and development information, product plans, services, customer lists and customers, supplier lists and suppliers, software developments, inventions, processes, formulas, technology, designs, hardware configuration information, personnel information, marketing, finances, information about the suppliers, joint ventures, franchisees, distributors and other persons with whom the Company does business, information regarding the skills and compensation of other employees of the Company or other business information disclosed to the Executive by or obtained by the Executive from the Company, its affiliates, or their respective clients, customers or partners either directly or indirectly in writing, orally or otherwise, if specifically indicated to be confidential or reasonably expected to be confidential. Notwithstanding the foregoing, Confidential Information shall not include information that is generally available and known to the public through no fault of the Executive.

(b) Company Property. The Executive understands that all documents (including computer records, facsimile and e-mail) and materials created, received or transmitted in connection with his or her work or using the facilities of the Company are property of the Company and subject to inspection by the Company, at any time. Upon termination of the Executive's employment with the Company (or at any other time when requested by the Company), the Executive will promptly deliver to the Company all documents and materials of any nature pertaining to his work with the Company and will provide written certification of his or her compliance with this Agreement. Under no circumstances will the Executive have, following his or her termination, in his or her possession any property of the Company, or any documents or materials or copies thereof containing any Confidential Information.

(c) Former Employer Information. The Executive agrees that he or she has not and will not, during the term of his or her employment, (i) improperly use or disclose any proprietary information or trade secrets of any former employer

or other person or entity with which the Executive has an agreement or duty to keep in confidence information acquired by Executive, if any, or (ii) bring into the premises of the Company any document or confidential or proprietary information belonging to such former employer, person or entity unless consented to in writing by such former employer, person or entity. The Executive will indemnify the Company and hold it harmless from and against all claims, liabilities, damages and expenses, including reasonable attorneys' fees and costs of suit, arising out of or in connection with any violation of the foregoing.

(d) Third Party Information. The Executive recognizes that the Company may have received, and in the future may receive, from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. The Executive agrees that the Executive owes the Company and such third parties, during the Executive's employment by the Company and thereafter, a duty to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person or firm and to use it in a manner consistent with, and for the limited purposes permitted by, the Company's agreement with such third party.

This Section 9 shall survive the termination of this Agreement for any reason. In the event the Executive breaches this Section 9, the Company shall have right to seek remedies permissible under applicable law.

10. CONFLICTING EMPLOYMENT.

The Executive hereby agrees that, during the term of his or her employment with the Company, he or she will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during the term of the Executive's employment, nor will the Executive engage in any other activities that conflict with his or her obligations to the Company without the prior written consent of the Company.

11. NON-COMPETITION AND NON-SOLICITATION

In consideration of the salary paid to the Executive by the Company and subject to applicable law, the Executive agrees that during the term of the Employment and for a period of one (1) year following the termination of the Employment for whatever reason:

(a) The Executive will not approach clients, customers or contacts of the Company or other persons or entities introduced to the Executive in the Executive's capacity as a representative of the Company for the purposes of doing business with such persons or entities which will harm the business relationship between the Company and such persons and/or entities;

(b) unless expressly consented to by the Company, the Executive will not assume employment with or provide services as a director or otherwise for any Competitor, or engage, whether as principal, partner, licensor or otherwise, in any Competitor; and

(c) unless expressly consented to by the Company, the Executive will not seek, directly or indirectly, by the offer of alternative employment or other inducement whatsoever, to solicit the services of any employee of the Company employed as at or after the date of such termination, or in the year preceding such termination.

The provisions contained in Section 11 are considered reasonable by the Executive and the Company. In the event that any such provisions should be found to be void under applicable laws but would be valid if some part thereof was deleted or the period or area of application reduced, such provisions shall apply with such modification as may be necessary to make them valid and effective.

This Section 11 shall survive the termination of this Agreement for any reason. In the event the Executive breaches this Section 11, the Executive acknowledges that there will be no adequate remedy at law, and the Company shall be entitled to injunctive relief and/or a decree for specific performance, and such other relief as may be proper (including monetary damages if appropriate). In any event, the Company shall have right to seek all remedies permissible under applicable law.

12. WITHHOLDING TAXES

Notwithstanding anything else herein to the contrary, the Company may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to this Agreement such national, provincial, local or any other income, employment, or other taxes as may be required to be withheld pursuant to any applicable law or regulation.

13. ASSIGNMENT

This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that (i) the Company may assign or transfer this Agreement or any rights or obligations hereunder to any member of the Group without such consent, and (ii) in the event of a Change of Control Transaction, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

14. SEVERABILITY

If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.

15. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement and understanding between the Executive and the Company regarding the terms of the Employment and supersedes all prior or contemporaneous oral or written agreements concerning such subject matter.

The Executive acknowledges that he or she has not entered into this Agreement in reliance upon any representation, warranty or undertaking which is not set forth in this Agreement. Any amendment to this Agreement must be in writing and signed by the Executive and the Company.

16. GOVERNING LAW; JURISDICTION

This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of New York.

17. AMENDMENT

This Agreement may not be amended, modified or changed (in whole or in part), except by a formal, definitive written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto.

18. WAIVER

Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

19. NOTICES

All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given and made if (i) delivered by hand, (ii) otherwise delivered against receipt therefor, or (iii) sent by a recognized courier with next-day or second-day delivery to the last known address of the other party.

20. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

21. NO INTERPRETATION AGAINST DRAFTER

Each party recognizes that this Agreement is a legally binding contract and acknowledges that it, he or she has had the opportunity to consult with legal counsel

of choice. In any construction of the terms of this Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such terms.

[Remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

Xunlei Limited

By: _____
Name:
Title:

Executive

Signature: _____
Name:

CONTENT PROTECTION AGREEMENT

This Content Protection Agreement ("Agreement") is entered into on this 22nd day of May, 2014 ("Effective Date"), by and between Shenzhen Xunlei Networking Technologies Co., Ltd., Shenzhen Xunlei Kankan Information Technologies Co., Ltd., and Xunlei Software (Shenzhen) Co., Ltd. (collectively, "Xunlei"), on the one hand, and the Motion Picture Association of America, Inc. ("MPAA"), Sony Pictures Entertainment Inc. ("SPE"), Twentieth Century Fox Film Corporation ("Fox"), Universal City Studios LLC ("Universal"), Viacom Inc. ("Viacom"), Walt Disney Studios Motion Pictures ("Disney"), and Warner Bros. Entertainment Inc. ("Warner Bros.") (such entities collectively referred to herein as, the "Content Owners," with each individually referred to as a Content Owner), on the other hand. Xunlei and the Content Owners may be referred to herein as "Parties."

WHEREAS, Xunlei owns and operates a collection of Internet services, known collectively as the "Xunlei System" (defined below), including a set of websites at xunlei.com.

WHEREAS, the Parties desire to reach an agreement on content protection to implement procedures designed to prevent any alleged copyright infringement of Content Owner Content Files occurring on the Xunlei websites or within the Xunlei System.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, including the mutual undertakings in this Agreement, the Parties agree and covenant as follows:

Definitions, Terms and References

1. In this Agreement, the following terms shall have the following meanings:

   a. "Content File" means a file containing a video or audiovisual work. Hereinafter in this Agreement, references to "video" or "video content" shall include both video content and audiovisual content. Xunlei shall use reasonable efforts to identify files containing video or audiovisual content, including, without limitation, RAR, ZIP, or comparable archive files that contain video or audiovisual content files. If Xunlei cannot determine whether a file contains video or audiovisual content, then, for purposes of this Agreement, Xunlei shall treat the file as a Content File.

   b. "Content Owner(s)" shall include each of the Content Owners' respective parents, subsidiaries and affiliates, except that affiliates of Viacom and SPE shall be limited to those entities that they directly or indirectly control.

   c. "Copyright Filter" (and reasonable variants, such as "Copyright Filtering") means a system for blocking or filtering of Content Files using technology that identifies the Content File:

      (i) in all instances, through determination of the video and/or audiovisual characteristics represented in the file (collectively, a "fingerprint") and comparison of that fingerprint against a database of reference fingerprints for specific Content Files; except

---

      (ii) to the extent a file is password-protected or encrypted by someone other than Xunlei, then through comparison of certain metadata about the Content File (or other technology that identifies Content Files with at least the same degree of accuracy) against a database of reference metadata (or other identifiers, as applicable) for specific Content Files. Metadata (or other identifiers, as applicable) used for comparison may include file name, file name extension, file type, file size, running time, title, keywords, hash, and/or other file properties.

   d. "Filtering Status" or "Policy Rule" means the Content Owner assigned rule to be applied to files after being subject to the Copyright Filter. The currently defined Filtering Statuses shall be Block or Allow. Depending upon arrangements between Xunlei and each Content Owner, other Policy Rules or Filtering Statuses are possible: for purposes of illustration only, a possible Filtering Status could be "Allow — Subject to Specified Commercial Terms." Whether content identified through Copyright Filtering is to be blocked by the filter or allowed to pass through the filter to or from the user is determined on a work-by-work basis in reference to the "Policy Rule" for the work provided by the Content Owner holding the rights to the Content File in question.

   e. "Filtering Vendor(s)" means the vendor(s) selected by Xunlei, pursuant to the terms of this Agreement, to implement the Copyright Filtering specified in this Agreement.

   f. "KanKan Client," also known as the "KanKan Media Player," means end-user software that retrieves and plays video content from publicly available resources on the Internet including server computers and other user or peer computers. The KanKan Client includes all versions or variants of the KanKan Client, or applications offered by Xunlei that perform comparable functions, that exist or are later developed.

   g. "Kuai" means the website at kuai.xunlei.com.

   h. "Multi-thread downloading" means downloading a content file from multiple sources identified by the Xunlei Index (or otherwise) as locations offering the identical file or pieces of the identical file.

   i. "Pirate Sites" means websites, FTP sites, or other Internet sources that are predominantly used to provide Unauthorized Content.

   j. "Single-thread downloading" means downloading a content file from an initial source location and no other sources.

   k. "Unauthorized Content" means copyrighted Content Files made accessible by Xunlei or through the Xunlei System to users the rights to which are owned by a Content Owner, for which Xunlei has not either: (a) obtained an express written license from the Content Owner to use (or to provide to users or to enable users to access) on or through the Xunlei System in the manner so used, provided or made accessible, or (b) obtained express written confirmation from the Content Owner that the user is authorized to use or otherwise access the Content File(s) through the Xunlei System

---

in the manner contemplated by Xunlei. For purposes of this Agreement, all video content for which the rights are held by a Content Owner shall be regarded as "Unauthorized Content" unless Xunlei has obtained such express written license or confirmation directly from the Content Owner that holds the appropriate rights for the particular use(s) made by Xunlei of that Content File. Xunlei shall not be able to rely on licenses it obtains from third-parties claiming to act as agents, representatives or brokers of a Content Owner, or otherwise claiming to have authority from, or to act on behalf of, a Content Owner, unless Xunlei additionally receives written confirmation directly from the Content Owner that holds the appropriate rights to the Content File confirming the third-party's authority to license the Content File for the use and in the manner contemplated by Xunlei. Where the Content Owner has granted such a license, the Content Owner shall, within thirty (30) days of a written request from Xunlei, provide such written confirmation to Xunlei, and the Content Owner's failure to provide Xunlei with such confirmation in response to Xunlei's written request, if in fact the Content Owner has given such a license, shall not subject Xunlei to liability to the Content Owner for breach of this Agreement. To the extent a Content Owner currently has an authorized agent for licensing Internet rights in the China market, the Content Owner will identify such agent to Xunlei within thirty (30) days from the execution of this Agreement. Each Content Owner shall also provide Xunlei with a point of contact to whom Xunlei may direct inquiries concerning licenses for Content Files owned by the Content Owners. Upon Xunlei's written request, and within thirty (30) days thereof, a Content Owner will confirm for Xunlei whether a site has a license to stream Content Files that would extend to Xunlei's use (or provision of access to users) of the Content Files.

   l. "URL" means information that identifies the Internet location (or other source, *e.g.*, a peer offering the file) of content files represented in the Xunlei Index.

   m. A "Xunlei Client" means the Xunlei Downloader, the KanKan Client, and any other or later client applications or software designed to be installed on users' personal computers or mobile devices, developed or offered by Xunlei, through which Xunlei users can access content in any way.

   n. "Xunlei Downloader" means Xunlei's end-user software that acts as a third-party download tool. For purposes of this Agreement, reference to the Xunlei Downloader encompasses all Xunlei Downloader versions or variants that currently exist or are later developed, including the Mini Xunlei, the Web Xunlei, the Phone Thunderbolt, the Xunlei Player, and other applications offered by Xunlei that perform comparable functions.

   o. "Xunlei Index," or "Xunlei Digital Media File Index," means a Xunlei proprietary digital media file index, used in the Xunlei System, comprised of identifiers, miscellaneous metadata, and Internet location information for content files (URLs).

   p. "Xunlei Servers" shall refer to any and all servers owned, operated or controlled by Xunlei in connection with the Xunlei System.

---

   q. "Xunlei Sites" means the set of websites available at xunlei.com, or other websites owned or operated by or for Xunlei, now or in the future, that make content files accessible to users. The Xunlei Sites include, but are not limited to, Kuai, f.xunlei.com ("Fangzhou"), daquan.xunlei.com, www.kankan.com, vip.kankan.com and vod.xunlei.com.

   r. "Xunlei System" shall be interpreted inclusively in order to capture any aspect of any service or software, operated by or for Xunlei, or over which Xunlei has legal or practical control, whether currently in existence or later developed, which participates in the process of allowing users to locate or gain access to content for downloading, viewing or otherwise, including any client applications, browser plug-ins, media-player software, indexes, search engines, websites, or portals, and further includes any device, software or service that uses any part of the Xunlei System, even if such device, software or service is owned or operated by a third party. The Xunlei System is comprised of, but is not limited to, the Xunlei Downloader, the KanKan Client, the Xunlei Index, the Xunlei Sites, the Xunlei Theatre, and the Xunlei VIP Cloud Servers.

   s. "Xunlei VIP Cloud Servers," also known as "Xunlei VIP Offline Download Servers," means servers owned or operated by or for Xunlei that may be used for downloading of content, including offline downloading, for Xunlei subscribers.

t. As used throughout this Agreement, whether an effort is "reasonable" or "commercially reasonable" shall be determined, *inter alia*, with due consideration to both (i) the cost, competitive advantage, user experience, and system performance implications for Xunlei; and (ii) the nature and volume of use of the Xunlei System for the unauthorized copying, distribution, performance, display or other use of Content Owner(s)' Content Files and the resulting collective harm to such Content Owner(s) from such unauthorized use. As used herein, the term "competitive advantage" shall not include, consider or refer to any company or system, whether or not a potential competitor of Xunlei, that substantially provides for or facilitates users' access to Content Files without the express authority of the appropriate Content Owner, unless that company or system is already using effective copyright filtering for the use of content at issue. Without limiting the generality of the foregoing, for purposes of clarification, companies or systems that engage in copyright infringement, or facilitate the copyright infringement of users, as a substantial part of their business, shall not be considered in assessing "competitive advantage."

u. As used throughout this Agreement, unless expressly stated otherwise, the use of the term "download" (or variants such as "downloaded" or "downloading") shall also include streaming (or variants) or any other means of accessing a content file, whether now known or later developed.

v. The term "including" means "including without limitation" or "including but not limited to" unless expressly stated otherwise. As used herein, the singular of a term includes the plural, and vice versa, unless expressly stated otherwise.

Copyright Filtering Generally

2. General. To prevent access to Unauthorized Content by users through or using any part of the Xunlei System, Xunlei shall adopt and deploy industry-leading Copyright Filters as set forth herein designed to effectively identify and block access to Unauthorized Content. Xunlei shall adopt and deploy such Copyright Filters at no cost to the Content Owners.

a. Timing of Implementation. Xunlei shall adopt and deploy the Copyright Filters as quickly as reasonably practicable and on a rolling basis, with the objective of completing implementation of the Copyright Filters within ninety (90) days from the execution of this Agreement; provided, however, that if after ninety (90) days Xunlei requires additional time and can reasonably demonstrate that it used its commercially reasonable efforts to complete implementation of the Copyright Filters in the preceding ninety (90)-day period, then the Content Owners will allow an additional thirty (30) days to complete full implementation of the Copyright Filters. In no event shall the implementation of the Copyright Filters be completed later than one hundred twenty (120) days from the execution of this Agreement.

b. New Services. To the extent Xunlei provides video content to users, or allows users access to video content, through means that are different than those in the Xunlei System as of the date of this Agreement, *e.g.*, through real-time "live" streaming, through different client applications, through other websites, or through any means or in any form, that might allow users to gain access to content that has not been subject to the Copyright Filters provided for in this Agreement ("New Services"), Xunlei shall, before deploying such New Services, adopt and deploy industry-leading Copyright Filters to the extent technically feasible and commercially reasonable (and to the extent Copyright Filters are not technically feasible and commercially reasonable for the New Service at issue, additional content protection measures) to block access to Unauthorized Content through those New Services, and shall do so before deploying any such New Service. For purposes of clarification and not limitation, it is the Parties' intention that Xunlei's obligation under this Agreement is to apply commercially reasonable and effective copyright filtering to any part or aspect of the Xunlei System that might otherwise provide users access to Unauthorized Content. Any question of interpretation of this Agreement shall be decided in a way that best effectuates this express intention of the Parties. If New Services adversely render Content Files owned by the Content Owners materially more susceptible to infringement, then Xunlei shall, negotiate with the Content Owners in good faith to agree on additional commercially reasonable copyright filtering and/or content protection measures. For the sake of clarity, New Services shall include services offered by joint ventures or other similar business arrangements between Xunlei and third parties unless Xunlei proves that Xunlei or its principals, officers, directors or affiliates do not own (whether individually or collectively) more than 50% of the entity offering such services. For any such joint ventures or similar business arrangements that do not meet the definition of New Services, Xunlei will negotiate in good faith with the Content Owners or their representatives about employing content protections in connection with such services or businesses.

c. Filter Engineering and Implementation. Xunlei shall use commercially reasonable efforts and resources to cause the timely implementation and maximum effectiveness of the Copyright Filters contemplated by this Agreement for purposes of identifying and blocking access to Unauthorized Content. In the event that a metadata-based filter is used in the limited circumstances contemplated by paragraph 1.c.ii above, Xunlei shall employ commercially reasonable and generally accepted techniques at least as effective as the techniques employed by Xunlei in processing user searches on the Xunlei Sites and sufficient to handle the variety of actual strings occurring in (a) metadata found by Xunlei's crawler, (b) file names of files indexed by the Xunlei System, and (c) metadata carried within files indexed by the Xunlei System that improves the accuracy of content identification, including through the use of techniques to account for word variations, ordering, and misspellings; and techniques to normalize strings before matching, such as to remove punctuation and ignore case.

d. Filtering Technology Vendor. Xunlei shall adopt and deploy industry-leading commercially available video content recognition technology that is provided by a reliable and established vendor that has comprehensive databases of reference fingerprints and metadata (and/or, as appropriate, other identifiers) for copyrighted Content Files owned by the Content Owners, and that permits the Content Owners to supply such reference identifiers at no cost to the Content Owners.

i. Initial Vendor. Xunlei has represented that it has initially selected Vobile Inc. ("Vobile") content recognition technology as the basis of a video and audiovideo-based fingerprinting copyright filter. Thus, initially, the Filtering Vendor shall be Vobile.

ii. Cooperation with Filtering Vendor. Upon request by the Filtering Vendor, Xunlei shall promptly provide access to any and all log data reflecting an identifier match of video content by application of Copyright Filters on either the Xunlei Sites or Xunlei Clients and will reasonably cooperate with requests by the Filtering Vendor with regard to trouble-shooting any problems with the Copyright Filters. Xunlei shall maintain all log data stored on Xunlei servers that reflects all attempted uploads and downloads and an identifier match or non-match by application of Copyright Filters on either the Xunlei Sites or Xunlei Clients, and shall not take any action to modify, disrupt or delete such data or other information for the duration of this Agreement. Xunlei shall further relieve the Filtering Vendor of any obligations of non-disclosure that would prevent or otherwise limit the Filtering Vendor from disclosing any such data or other information to the Content Owners for purposes of evaluating the implementation of the Copyright Filter.

iii. Changes to Filtering Technology/Vendor. Xunlei is free to switch to alternative Copyright Filtering technologies and/or Filtering Vendors (including without limitation to a proprietary solution created by Xunlei or its affiliates), provided the new filtering system and/or Filtering Vendor, as applicable, satisfies the terms of paragraph 2(d) above, has fingerprint, metadata and other necessary reference databases for copyrighted Content

Files owned by the Content Owners that are at least as inclusive as Vobile's, and is at least as effective at identifying Unauthorized Content as the Vobile technology (or the Filtering Vendor's technology then in use by Xunlei provided it has been adopted in compliance with this paragraph). Xunlei will notify the Content Owners thirty (30) days in advance if it plans to switch to another Copyright Filtering technology or Filtering Vendor for any part of the Xunlei System; provided, however, that if the new Copyright Filtering technology is to be a proprietary solution created by Xunlei or its affiliates, then Xunlei will provide Content Owners with no less than ninety (90) days advanced notice and a commercially reasonable opportunity to review and inspect the proposed technology before it is implemented in the Xunlei System.

e. Policy Rules. The Content Owners may establish the Policy Rules to set for Content Files claimed in good faith to be owned by the Content Owners, but such Policy Rules shall be limited to the application of the following designations: block, allow, or allow subject to any license the Content Owners may have with Xunlei; provided, however, that Xunlei reserves the right to block Content Files owned by the Content Owners as may be required by law or in its reasonable discretion. Xunlei will faithfully apply the Policy Rule designations. Absent an alternative instruction on file with the Filtering Vendor or written instructions from the Content Owner to the contrary, Xunlei shall treat all Content Owner Content Files as having a "Block" status and shall block access to video content matching Content Files contained in any reference fingerprint database or, if applicable, metadata database used as part of a Copyright Filter for the Xunlei System.

f. Filter Upgrades. Xunlei shall reasonably maintain and make commercially reasonable periodic upgrades to the Copyright Filters so that they will continue to be based on industry-leading filtering technologies and techniques.

g. Reference Databases. Xunlei shall provide the Content Owners with the right and means to provide regular updates to Xunlei and/or its Filtering Vendor, as appropriate, for the fingerprint, metadata and other reference databases, in real-time, as the Content Owners reasonably deem necessary or appropriate. Xunlei shall contractually require its Filtering Vendors to promptly update their reference databases in real-time with any and all Content Owner updates.

h. Review of Filter Implementation. The Content Owners shall have a right to review, and Xunlei shall provide, reasonable technical documentation, including any specifications, diagrams and source code reasonably necessary to fully understand and assess the implementation and performance of the Copyright Filter (which source code shall be subject to the terms of this Agreement, including without limitation paragraph 28 and Exhibit B hereto) that shows how Xunlei has initially implemented each of the Copyright Filters provided for in this Agreement.

i. Changes in Filter Implementation. To the extent that Xunlei desires to materially change its implementation of the Copyright Filters, Xunlei will negotiate in good

faith with the Content Owners prior to implementing the change to ensure that the new implementation is at least as effective in blocking Unauthorized Content as the implementation of the Copyright Filters then in effect.

3. Rules Applicable to All Filtering Processes. Xunlei shall use commercially reasonable efforts to prevent users from having access to any Content File through or by using any part of the Xunlei System, or from uploading any Content File to the Xunlei Sites, unless the Content File has gone through the specified filtering processes described in this Agreement; provided, however, that if Xunlei has verified (consistent with paragraph 1(k)) prior to the time of filtering, that it already has a valid and subsisting written license from the appropriate Content Owner for a Content File and for the use to which the Content File is being put in the Xunlei System, then the filtering processes set forth in paragraphs 4-8 shall not apply only in the particular area(s) of the Xunlei System to which the license applies, and the filtering process shall still apply to all other aspects of the Xunlei System that are not covered by the license. Similarly, notwithstanding the obligation to employ filtering processes throughout the Xunlei System (including without limitation the KanKan client), the filtering processes set forth in paragraphs 4-8 shall not apply to the KanKan client if the KanKan client is used "off system" by a user to access content locally on the user's own computer or offline storage media. Xunlei shall at all times implement and maintain the Copyright Filters throughout the Xunlei System in good faith with the objective of seeking to block access to Unauthorized Content through or using the Xunlei System to the greatest extent commercially reasonable, and Xunlei's compliance with each term shall be determined based on such commercial reasonableness, whether or not expressly stated therein.

Copyright Filtering in Xunlei Client Software

4. All Xunlei Client software will incorporate a Copyright Filter, in the form of a software module utilizing the Filtering Vendor's technology, to determine the Filtering Status of each Content File for which a user initiates a download.

   a. The Xunlei Client software will submit each Content File sought to be downloaded using a Xunlei Client, and any available file metadata or other applicable identifiers (*e.g.*, file name and file size), to the Copyright Filter to determine the Filtering Status of the Content File.

      i. The Xunlei Client software shall incorporate reasonable means to prevent the user from gaining access to the downloaded or downloading Content File or partial Content File (*e.g.*, by maintaining the file or partial file in encrypted form in a segregated cache for purpose of Copyright Filtering) until such time as the Copyright Filtering process has completed and the file has been assigned a Filtering Status. The downloaded Content File data will not be placed in any location on the user's computer or device, including a Downloads, Cache, Temporary Internet Files, or other folder where it is accessible to the user unless and until such time as the Copyright Filtering Process has completed and the file has been assigned a Filtering Status of Allow. Until such time as the Copyright Filtering process has completed and

the Filtering Status of the Content File is determined to be Allow, all Content File data must at a minimum be: (a) encrypted so as to be inaccessible to the user, and (b) maintained in a segregated temporary cache that is automatically wiped upon restart of the Xunlei Client software. The encryption used herein shall be remotely upgradeable, and Xunlei shall maintain and exercise the ability to force upgrades of the Xunlei Client software to ensure, to the extent commercially reasonable, that the encryption is continually upgraded to overcome any known efforts to circumvent or otherwise defeat or disable the encryption.

      ii. If the Filtering Status of a Content File is Block, then Xunlei will terminate the download of the Content File and maintain the Content File or partial Content File in encrypted form in the segregated cache (as described above) or, to the extent permitted by applicable law and regulation, irretrievably wipe any portions of the Content File that have been downloaded to any location on the user's computer or mobile device.

      iii. For purposes of clarification, if the Filtering Status of the Content File is Block, then Xunlei shall block and prevent even single-thread downloading through or using any Xunlei Client.

      iv. If the Filtering Status of a Content File is Allow, then Xunlei may permit the Content File to download normally.

      v. All Xunlei Clients shall treat a file as having a Block Filtering Status if the Xunlei System, including any Xunlei Client, (A) is unable to communicate with the Filtering Vendor's servers to ascertain the Filtering Status of the file, or (B) is unable to authenticate responses from the Filtering Vendor's servers. Xunlei's obligation under this paragraph shall not apply if Xunlei can establish, by means of a technological implementation that must first be approved by the Content Owners, that the communication failure is not the result of any action or failure on the part of Xunlei, the Xunlei System, or any of its users.

   b. If the downloaded Content File contains multiple files, then each component file shall be processed as described in 4(a) above. For purposes of clarification, any RAR, ZIP, or comparable archive files will be unpacked (that is, processed in the normal way to recover the archived content) and the resulting files fingerprinted and filtered individually. If the Filtering Status of any component file is Allow, then solely such component file shall be treated as Allow if possible, and if it is not possible to treat solely the component file as Allow, then the status of the entire Content File shall be treated as Block.

5. Xunlei will utilize industry-leading commercial software solutions or their functional equivalents for protection of the Xunlei Clients' executable files (known as executable

protection or binary protection) so that the software will refuse to function if it determines it has been modified in any way.

6. Xunlei will take all reasonable steps to prevent Xunlei Clients that do not contain a Copyright Filter from communicating with the Xunlei Index. Such steps include but are not limited to (a) where possible, activating a forced-update mechanism to require users to update their Xunlei Clients to a version including a Copyright Filter, (b) activating any update notification system in Xunlei Clients (upon each launch of the Xunlei Client and repeatedly thereafter, no less than four times daily (spaced in reasonable intervals designed to be viewed by the user), until upgraded) to advise users of the availability of newer versions and (c) implementing a change to the Xunlei Index server communication protocol with the result that the Xunlei Index will not respond to requests from Xunlei Clients unless they adhere to the new protocol.

Copyright Filtering on Xunlei Servers Hosting Content Files

7. Copyright Filtering of Uploads of Content Files from Users to Xunlei Servers.

   a. All Xunlei Sites or servers that receive uploads of Content Files from users will incorporate a Copyright Filter in the form of a software module utilizing the Filtering Vendor's technology designed to determine the Filtering Status of each Content File that a user uploads to the site.

      i. Before it makes the Content File available to any user in any way, the Xunlei Site or server will submit the uploaded Content File and any available Content File metadata and other applicable identifiers (*e.g.*, file name and file size) to the Copyright Filter to determine the Filtering Status of the Content File.

         1. If the Filtering Status of the Content File is Block, then the Xunlei Site or server will permanently delete the file from the Xunlei Site or server immediately. The file shall not be copied to any other part of the Xunlei System before the Filtering Status is determined.

         2. If the Filtering Status of a Content File is Allow, then the Xunlei Site or server may use the Content File as usual.

         3. Xunlei shall treat the Content File as having a "Block" Filtering Status if the Xunlei Site or server (A) is unable to communicate with the Filtering Vendor's servers to ascertain the Filtering Status of the file, or (B) is unable to authenticate responses from the Filtering Vendor's servers. Xunlei's obligation under this paragraph shall not apply if Xunlei can establish, by means of a technological implementation that must first be approved by the Content Owners, that the communication failure is not the result of any action or failure on the part of Xunlei, the Xunlei System, or any of its users.

      ii. If the uploaded Content File contains multiple files, then each component file shall be processed as described in 7(a)(i) above. For purposes of clarification,

any RAR, ZIP, or comparable archive files will be unpacked (that is, processed in the normal way to recover the archived content) and the resulting files fingerprinted and filtered individually. If the Filtering Status of any component file is Allow, then solely such component file shall be treated as Allow if possible, and if it is not possible to treat solely the component file as Allow, then the status of the entire Content File shall be treated as Block.

8. Copyright Filtering of Downloads of Files from Xunlei Servers to Users.

   a. All Xunlei Sites or servers that enable users to download Content Files will incorporate a Copyright Filter in the form of a software module utilizing the Filtering Vendor's technology to determine the Filtering Status of each Content File that a user attempts to download from the site or server.

      i. Unless a Content File already has an "Allow" Filtering Status assigned within the prior thirty (30) calendar days, based on the application of the Copyright Filter to the upload of the Content File, which has not been overridden by a subsequent "Block" or takedown notice from a Content Owner, before it distributes to the requesting user any portion of the requested file, the Xunlei Site or server will submit the Content File and any available Content File metadata and other applicable identifiers (*e.g.*, file name and file size) to the Copyright Filter to determine the Filtering Status of the file. Xunlei shall not begin downloading the file to the user until the Copyright Filter process is completed and the file has been assigned a Filtering Status.

         1. If a Content File is being downloaded from a Xunlei server in space not considered to be "leased" by a user under applicable PRC law, and the Filtering Status of the Content File is Block, then the Xunlei Site or server will permanently delete the file from the Xunlei Site or server immediately and not distribute any part of it to the requesting user. If a Content File is being downloaded from a Xunlei server in space considered to be "leased" by a user under applicable PRC law (*i.e.*, a remote storage locker) and the Filtering Status of the Content File is Block, then the Xunlei Client shall treat the status as "Block," and shall not allow any access to the file by any user, including the user considered to be "leasing" the server space, but Xunlei shall not be required to delete the file.

2. If the Filtering Status of a Content File is Allow, then the Xunlei Site or server may distribute the Content File to the requesting user.

3. Xunlei will treat the Content File as having a "Block" Filtering Status if the Xunlei Site or server (A) is unable to communicate with the Filtering Vendor's servers to ascertain the Filtering Status of the file, or (B) is unable to authenticate responses from the Filtering Vendor's servers. Xunlei's obligation under this paragraph shall not apply if Xunlei can establish, by means of a technological implementation that

must first be approved by the Content Owners, that the communication failure is not the result of any action or failure on the part of Xunlei, the Xunlei System, or any of its users.

ii. If the Content File requested for download contains multiple files, then each component file shall be processed as described in 8(a)(i) above. For purposes of clarification, any RAR, ZIP, or comparable archive files will be unpacked (that is, processed in the normal way to recover the archived content) and the resulting files fingerprinted and filtered individually. If the Filtering Status of any component file is Allow, then solely such component file shall be treated as Allow if possible, and if it is not possible to treat solely the component file as Allow, then the status of the entire Content File shall be treated as Block.

Other Content Protection Measures

9. Takedown Notices. Xunlei shall remove any hosted video content, or links to video content, within eighteen (18) hours when commercially reasonable but in no event later than twenty-four (24) hours of receipt of a takedown notice (including without limitation takedown notices sent by email) from a Content Owner (or its agents, representatives or vendors). Six (6) months following the execution of this Agreement, the Parties will discuss in good faith whether there exist commercially reasonable means for Xunlei to remove hosted video content that is subject to a proper takedown notice (including without limitation notices sent by email) within a shorter period of time.

10. Pirate Sites. Upon reasonable notice provided by a Content Owner that a site is reasonably believed to be a Pirate Site, Xunlei shall assign a "Blocked Domain" or "Blocked Subdomain" status (as designated by the Content Owner) to the Pirate Site and to all current and future Xunlei Index entries associated with the Pirate Site. The effect of a "Blocked Domain" or "Blocked Subdomain" status shall be as follows: (i) entries with a Blocked Domain or Blocked Subdomain status in the Index shall not be used for any purpose, including to help accelerate downloading through any Xunlei Client, and shall be assigned a "Block" filtering status and treated accordingly if Xunlei refers to the Index for purposes of any Copyright Filter; and (ii) Xunlei servers hosting Content Files shall not respond to any request in which the URL of the referring site (determined by, *e.g.*, the HTTP Referrer URL) contains a domain or subdomain name that has been assigned Blocked Domain or Blocked Subdomain status. In the event Xunlei reasonably disagrees that a site or source should be deemed a Pirate Site, however, the Content Owner will, within 30 days of Xunlei's request therefor, provide Xunlei with reasonable evidence, such as court judgments, administrative decisions, evaluations from reputable, independent third party sources and/or services that monitor and evaluate piracy, or other similar documents to support their position. Upon receipt of such evidence from the Content Owner, Xunlei shall immediately block all access to the site in question. Xunlei may also independently refer to and rely on reputable, independent third party sources or services that monitor and evaluate piracy in determining whether to assign a "Blocked Domain" or "Blocked Subdomain" status as set forth in this paragraph.

11. User-Uploaded Content. To the extent that files available on the Xunlei System are uploaded by users (including, without limitation, through Kuai), Xunlei:

a. shall, immediately upon receipt of a takedown notice concerning a given file, remove all user-uploaded, hash-identical files from the Xunlei System and prevent any further uploading of any hash-identical files by users; and

b. shall terminate accounts of users who upload or download Unauthorized Content repeatedly (as determined by Content Owner takedown notices or Filtering Status assigned through the Copyright Filter process) and shall further prevent holders of terminated accounts from rejoining the service using reasonable indicia of identity. It is expressly understood, however, that "repeatedly" for purposes of users based in the United States, if any, shall mean no more than three separate occasions but that "repeatedly" in other parts of the world may be a greater number and that Xunlei may implement the same counter-notification process set forth in the Digital Millennium Copyright Act, 17 U.S.C. § 512(g), regardless of whether such statute is applicable to Xunlei. Xunlei shall maintain and preserve records and data revealing instances of users identified as infringers as provided in this paragraph.

c. shall not in any way advertise, promote or market the Xunlei System, in whole or part, based on the availability of, or access to, user-uploaded Unauthorized Content; and

d. shall not offer or pay to account holders or users any funds, credits or other benefits of any kind, in whole or part, based on the nature of the content uploaded/downloaded from the system or any metric of downloads from an account holder's account, including without limitation (i) the popularity of files, as determined through any metric, (ii) the volume of downloads, or (iii) conversions to paid subscriptions by users drawn to the Xunlei System from links to user uploaded Unauthorized Content.

Representations and Warranties

12. This Agreement is premised on the representations and warranties by Xunlei set forth below. The Content Owners necessarily are relying on the following Xunlei representations in formulating or agreeing to effective content protection measures, and material inaccuracies in any Xunlei representations could negate the effectiveness of the proscribed content protection measures. Accordingly, Xunlei represents and warrants that the following representations are accurate and complete in all material respects, as of the date of this Agreement:

a. Xunlei System. As of the date of this Agreement, the Xunlei System is comprised of the Xunlei Downloader, the KanKan Client, the Xunlei Index, the Xunlei Sites, the Xunlei Theatre, and the Xunlei VIP Cloud Servers.

b. Violation of Law. To Xunlei's actual knowledge, no obligation of Xunlei hereunder or any other term of this Agreement would require Xunlei to violate Chinese law or any other applicable law.

c. System Design. As the Xunlei System is currently designed and intended to be used, if the Copyright Filters perform as described by the Filtering Vendor (provided that the Filtering Vendor is not Xunlei or its affiliate) in material respects, and are deployed as provided for in this Agreement, (A) all files to be downloaded using the Xunlei System would be subject to Copyright Filtering before being accessible to users and (B) the Xunlei Sites would subject all uploads to Copyright Filtering before accepting them onto the sites.

d. System Ownership and Control. Shenzhen Xunlei Networking Technologies Co., Ltd. and its undersigned subsidiaries have exclusive ownership and control over the Xunlei System. Neither Xunlei Limited nor Giganology (Shenzhen) Ltd. (nor their subsidiaries), nor any other company or entity, owns, operates or controls any aspect of the Xunlei System. Neither Xunlei Limited nor Giganology (Shenzhen) Ltd. (nor their subsidiaries), nor any other company or entity owns, operates or controls any licenses, technologies, systems or services that participate in the process of allowing users to locate or gain access to content for downloading, viewing or otherwise, including any client applications, browser plug-ins, media-player software, indexes, search engines, websites, or portals.

13. If any of the above representations or warranties is materially untrue as of the execution of this Agreement, that shall constitute a material breach of this Agreement by Xunlei. Without limiting the generality of the foregoing, for purposes of illustration, a misrepresentation shall be deemed material if as a result (i) users can gain access to Content Files through any part of the Xunlei System without an effective Copyright Filter having been applied to that Content File before the user has access to it, or (ii) the Copyright Filters provided for in this Agreement are not highly effective in blocking access to substantially all Unauthorized Content for which a Content Owner has provided relevant fingerprint and metadata reference data to the Filtering Vendor.

Obligation To Notify

14. Xunlei shall notify the Content Owners in the event of any material change in the Xunlei System that renders any of the above representations and warranties no longer accurate. Xunlei shall provide such notice within seven (7) calendar days of its discovery of the change that resulted in the representation and warranty becoming no longer accurate. Xunlei further shall provide the Content Owners with a reasonable description of the nature of the change and a reasonable opportunity to inspect and conduct due diligence with respect to the change and its implication for Copyright Filtering and other content protection measures.

Compliance Due Diligence

15. Within thirty (30) days from the date of execution of this Agreement, and again another thirty (30) and sixty (60) days thereafter, the Parties (or their representatives) shall have a telephone or video conference to review the implementation of the Agreement.

16. Xunlei shall provide the Content Owners (or their representatives) a right of reasonable due diligence, at reasonably acceptable times to Xunlei, upon two weeks written notice (absent urgent circumstances), on-site at Xunlei's facilities in the People's Republic of China, not to exceed once every six months nor twice per calendar year, to assess the implementation and effectiveness of the Copyright Filters and other content protection measures provided for in this Agreement. The cost of any technical experts that the Content Owners may retain to conduct such due diligence shall be borne by the Content Owners. The review shall be completed within a reasonable period of time during normal business hours, and shall not be conducted in a manner that unreasonably interferes with the day-to-day operations of Xunlei's business. Xunlei shall cooperate with reasonable requests of the Content Owners throughout any due diligence process. Xunlei's personnel shall not be required to travel from Xunlei's facilities in the People's Republic of China as part of any due diligence review. Xunlei shall, as reasonably requested, make available for inspection by the Content Owners (or their representatives) technical or other documentation or data, including source code,

reasonably necessary to fully understand and assess the implementation and performance of the Copyright Filter (the confidentiality of such materials shall be subject to the terms of paragraph 28 herein and, as to source code, Exhibit B hereto). If there are due diligence issues that the Content Owners reasonably believe can be assessed without being on-site at Xunlei's facilities, Xunlei shall provide the Content Owners with access to the requested materials by delivering them to the Content Owners (or their representatives) at locations of the Content Owners' choosing, including locations in the United States (subject to the confidentiality provisions of paragraph 28 herein and, as to source code, Exhibit B hereto, and any further security provisions related to transportation of the materials that the parties may mutually agree to in good faith). Any such materials provided to Content Owners shall be returned or destroyed upon final conclusion of the due diligence review. In the event of a material failure of any of the content protection measures in this Agreement, the parties shall immediately work together in good faith in an effort to identify the cause of the failure and to have Xunlei remedy the failure. In such exigent circumstances, the limitation of two due diligence reviews per calendar year shall not apply, and Xunlei will use reasonable efforts to provide Content Owners with immediate and continued access to the due diligence materials contemplated by this paragraph so that the parties may constructively work together in good faith to address the filtering failure until such failure is resolved.

Ongoing Cooperation

17. If for any reason (other than the failure of the Content Owners to provide the Filtering Vendor with reference identifiers regarding Content Files owned by the Content Owners) the Copyright Filter and other content protection measures provided for in this Agreement do not (or no longer) result in the substantial cessation of the availability of Unauthorized Content on or through the Xunlei System, or by or to Xunlei users, then Xunlei shall negotiate in good faith with the Content Owners for the adoption of additional, commercially reasonable content protection measures, including different or additional Copyright Filters, designed to remedy any existing deficiencies.

18. Within five (5) business days of execution of this Agreement, each Content Owner shall provide Xunlei with the name and contact information of a person within its company whom Xunlei may contact, in the first instance, with any routine questions or issues related to content protection.

Dispute Resolution

19. In the event of any dispute arising out of or in connection with this Agreement, including any question regarding its breach, existence, validity, or termination ("Dispute"), the Parties shall in good faith attempt to resolve such Dispute as soon as practicable after the complaining party provides written notice of such Dispute. In the event that the Dispute is not resolved between the Parties within ten (10) business days after receipt of such notice, on the request of the Party raising the Dispute, the Dispute shall be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce ("ICC") in effect as of the date of this Agreement (the "Rules"). Unless the Parties agree otherwise, there shall be three arbitrators, one nominated by the claimant and the second nominated by the respondent in accordance with the Rules; the third, who shall act as the chair of the arbitral tribunal, shall be nominated by the two party-nominated arbitrators within twenty (20) days of the confirmation by the ICC International Court of Arbitration ("ICC Court") of the nomination of the second arbitrator. If any arbitrators are not nominated within the applicable time periods, the ICC Court shall make the appointment(s). The place of arbitration shall be, and the award shall be rendered in, Hong Kong. The language of the arbitral proceedings shall be English. The arbitral tribunal shall be guided by the International Bar Association Rules on the Taking of Evidence in International Arbitration (2010). The arbitrators may award any relief permitted under this Agreement and applicable law, including (whether or not permitted under applicable law) punitive, exemplary or multiple damages. The award shall be rendered within eight (8) months from the confirmation of the selection of the chair of the arbitral tribunal, unless the Parties agree to extend this time limit or the arbitral tribunal determines that the interest of justice so requires. The award shall be final and binding upon the Parties as from the date rendered, and shall be the sole and exclusive remedy between the Parties regarding any claims, counterclaims, issues, or accounting presented to the arbitral tribunal (which shall exclude copyright infringement claims as provided in Paragraph 23 below) and may be entered and enforced in any court having jurisdiction over the Party against which enforcement is sought or over any of that Party's assets. This Agreement and the rights and obligations of the Parties shall remain in full force and effect pending the award in any arbitration proceeding hereunder unless the Agreement has been otherwise terminated in accordance with its terms. The Parties agree that any Party to this Agreement shall have the right to have recourse to and shall be bound by the Pre-arbitral Referee Procedure of the ICC in accordance with its Rules for a Pre-Arbitral Referee Procedure.

20. The Parties shall initially split the costs of arbitration evenly. The prevailing Party in arbitration shall be entitled to recover from the other Party all reasonable and documented out-of-pocket costs, including the costs of arbitration, and reasonable and documented out-of-pocket attorneys' fees incurred in connection with the arbitration.

21. This Agreement is governed by, and all disputes arising out of or in connection with this Agreement shall be resolved in accordance with, the laws of New York (to the exclusion of any conflict of laws rules), provided that the adoption of New York law as the governing law for purposes of this Agreement shall in no way indicate that any Party has availed itself of the benefit of, or otherwise subjected itself or its business to, the laws of the State of New York or any other law of the United States of America, and no Party shall use this provision to argue otherwise.

22. Specific Performance. A breach of the material terms of this Agreement may result in irreparable damage to the non-breaching party for which the non-breaching party will not have an adequate remedy at law. Accordingly, in addition to any other remedies available to the non-breaching party, the Parties acknowledge and agree that the non-breaching party may seek, and the arbitration tribunal shall be empowered to order, specific performance of the breaching party's obligations hereunder (including, without limitation, Xunlei's obligations under paragraphs 4 through 8 above) and other injunctive relief, without any requirement to post a bond or other security.

    a. Xunlei shall comply with any order by the arbitral tribunal of specific performance within ten (10) days of the date set by the order for such performance (or, if no date for performance is set by the arbitral tribunal's order, within thirty (30) days after issuance of the arbitral tribunal's order), without the need for Content Owners to seek enforcement of the arbitral tribunal's order in national or domestic court.

    b. Xunlei hereby waives any objection and consents to the enforcement, by any national or domestic court having jurisdiction over Xunlei, of the arbitral tribunal's order of specific performance.

23. Nothing in this Agreement shall be deemed a waiver by any Content Owner of any claims it may have against Xunlei for copyright infringement, whether occurring prior to or after the execution of this Agreement. Content Owner claims of copyright infringement shall not be deemed to arise out of or in connection with this Agreement and shall not be subject to the arbitration, forum selection, or choice of law provisions contained in paragraphs 19 and 21 above. No party to this Agreement shall use the provision for a Hong Kong forum for arbitration, or the choice of law of New York, in any way to support any argument that any Content Owner's choice of forum for a copyright infringement action is impermissible or inconvenient.

24. This Agreement also contains and shall also be deemed to be a covenant not to sue in accordance with the following terms: Each of the Parties agrees never to commence, aid, or participate in (except to the extent required by order or legal process issued by a court or governmental agency of competent jurisdiction) any legal action or other proceeding against Xunlei based in whole or in part upon access to Unauthorized Content on the Xunlei websites or Xunlei System, alleged infringement of Content Files of the Content Owners on the Xunlei websites or Xunlei System or similar or related matters as long as this Agreement remains in effect and Xunlei remains fully compliant

with its material terms. For the sake of clarity, this covenant not to sue shall not apply to any other type of claim, including, without limitation, those for breach of any contract (including this Agreement), tort, violation of legal or statutory duty, or on any other basis. Any breach of this covenant not to sue by the MPAA or any Content Owner shall be deemed a material breach of this Agreement by such Party and shall entitle Xunlei to terminate any obligations under this Agreement as it pertains to the breaching Party. No Party shall use the provision for a Hong Kong forum for arbitration, or the choice of law of New York, in any way to support any argument in any future copyright infringement or other action (other than for breach of this Agreement as set forth in paragraph 19) that (i) either Hong Kong or the United States is an appropriate forum or (ii) that any other forum for is impermissible or inconvenient. As an express condition of this covenant not to sue, Xunlei hereby agrees that any statute of limitations, laches, or other requirements regarding the timing of suit that any Content Owner might otherwise have brought are hereby tolled for up to two years from the date of this Agreement.

Term

25. This Agreement shall commence upon the date of execution by all Parties ("Effective Date") and remain in full force and effect until four (4) years from the Effective Date ("Initial Term"), and shall renew automatically for successive one-year renewal terms (each, a "Renewal Term") unless either Xunlei or the Content Owners provide notice of non-renewal at least one hundred twenty (120) days prior to the expiration of the Initial Term or Renewal Term, as applicable ("Notice of Non-Renewal"), or the Agreement is otherwise terminated pursuant to its terms. In the event a Notice of Non-Renewal is provided by any Party in accordance with this paragraph, the Parties agree to commence negotiations in good faith regarding renewal of the Agreement; however, following a Notice of Non-Renewal, this Agreement shall be renewed only upon a written agreement executed by all Parties setting forth the terms of such renewal.

Miscellaneous

26. In the event that Xunlei has a reasonable belief based on verifiable evidence and can demonstrate to the Filtering Vendor's reasonable satisfaction (including, but not limited to, by providing verifiable evidence) that the Copyright Filtering provided for herein has improperly caused non-infringing content to be blocked or otherwise filtered, then Xunlei shall raise its concern with the Filtering Vendor. If the Filtering Vendor confirms that the content should not have received a Block Filtering Status, then the Filtering Status will be appropriately adjusted after the Filtering Vendor has assessed the purported non-infringing content and conferred with the appropriate Content Owner as necessary.

27. Nothing in this Agreement grants, or shall be construed as granting, any license or authority to Xunlei to use in any way any copyrighted Content Files owned or controlled by any Content Owner, other than as allowed by the applicable Policy Rule for any Content Owner's Content File.

28. This Agreement contemplates and provides that, in various circumstances, Xunlei shall provide the Content Owners with documentation or other information of a business and

technical nature that Xunlei believes may be proprietary confidential information. For any documentation or information Xunlei believes should be treated as confidential, and so designates as confidential by reasonably informing the Content Owners, the Content Owners (i) shall maintain such documentation or information as strictly confidential, (ii) shall use such documentation or information only for purposes of this Agreement, and (iii) shall not disclose such documentation or information to any third party except for those third-party professional and technical advisors, including counsel for the MPAA, engaged to assist the Content Owners in connection with this Agreement, providing that such third parties agree to the same confidentiality terms provided for in this paragraph. Where Xunlei is obligated to provide Content Owners with access to source code, such source code shall be handled in accordance with the terms set forth in Exhibit B hereto. The provisions of this paragraph shall survive the termination of the Content Protection Agreement.

29. This Agreement contains technical information regarding Xunlei and the Xunlei System that Xunlei asserts is confidential and proprietary. Such technical information, and the parts of this Agreement that disclose such information, shall not be publicly disclosed in whole or part without the prior written consent of Xunlei, which consent shall not be unreasonably withheld. This confidentiality provision does not extend to the terms of this Agreement described at a level of generality that does not disclose technical information regarding Xunlei; without limiting the generality of the foregoing, both Parties can disclose in words and in substance statements concerning this Agreement as set forth in Exhibit A, attached hereto. Xunlei may disclose this Agreement (or any portion thereof) as may be required under law or under other disclosure obligations (*e.g.*, as part of its Initial Public Offering). To the extent that Xunlei has publicly disclosed certain portions of this Agreement, the Content Owners may similarly disclose such portions. The provisions of this paragraph shall survive the termination of this Agreement.

30. Nothing herein shall be deemed to require Xunlei or its affiliates to take, or refrain from, any action so as to render Xunlei or its affiliates in violation of any applicable law or governmental or judicial rule or order, including the laws of the People's Republic of China or the rules or orders of its courts or administrative agencies. Xunlei hereby represents and warrants that, as of the entry of this Agreement, and after a diligent evaluation, it does not believe that any term, condition or other provision of this Agreement (or Xunlei's compliance with any terms, condition or provision of this Agreement) requires Xunlei or its affiliates to take, or refrain from, any action so as to render Xunlei or its affiliates in violation of any applicable law or governmental or judicial rule or order, including the laws of the People's Republic of China or the rules or orders of its courts or administrative agencies.

31. Neither this Agreement nor implementation of the content protections set forth herein shall be construed as an admission by Xunlei, or evidence, of copyright infringement prior to the implementation of this Agreement.

32. This Agreement and the covenants contained herein shall be binding on the Parties and their successors and assigns, whether related to or independent of the Parties; provided, however, that, in the event of a transfer of all or substantially all of the assets of Xunlei

(rather than a transfer of all or substantially all Xunlei stock), the Agreement shall be binding only on those parts of the transferee's business that integrate or include the Xunlei System or any component thereof to the extent allowed by law. Subject to the foregoing, Xunlei shall not sell or transfer a material part of the assets of the Xunlei System to any buyer or transferee until Xunlei has taken all necessary and appropriate steps to ensure that this Agreement will be binding on successors and assigns as provided herein.

33. Any notice to be provided under this Agreement shall be sent as follows:

a. If to Xunlei, to:

YU Fei
Shenzhen Xunlei Networking Technologies Co., Ltd.
4th Floor Hnas Innovation Mansion
North Ring Rd. No.9018 Hight-Tech Park
Nanshan District Shenzhen, PRC, 518057
Fax +86 0755-33912909

with a copy to:

Diana Torres
Kirkland & Ellis LLP
333 S. Hope Street
Los Angeles, California 90071

b. If to the Content Owners, to:

Kenneth L. Doroshow
JENNER & BLOCK LLP
1099 New York Avenue, N.W.
Suite 900
Washington, DC 20001
kdoroshow@jenner.com
Facsimile: (202) 661-4855

with a copy to:

Motion Picture Association of America
1600 Eye St., NW
Washington, D.C. 20006
ATTN: General Counsel
Steven_Fabrizio@mpaa.org

c. All notices, other than the notices pursuant to paragraph 9 concerning Takedown Notices, shall be delivered by overnight delivery and electronic mail (and facsimile if a facsimile number is provided). Notices shall be deemed received the second (2nd)

business day following the day the notice is sent. Notices shall be deemed valid if sent to the person indicated above, unless a new notice recipient is designated in writing.

34. This Agreement constitutes and contains the entire agreement and understanding among the Parties regarding the content protection measures provided for herein, and shall supersede, extinguish and replace all prior negotiations, representations, promises, and proposed agreements, whether written or oral, on the subject hereof. It is understood and agreed that all understandings and agreements heretofore had between the Parties on the subject hereof are merged in this Agreement, which alone fully and completely expresses the Parties' agreement. The Parties acknowledge that they are not relying upon any statement, representation, promise, or discussion, whether written or oral, not embodied in this Agreement, made by any other Party.

35. This Agreement may be executed in one or more counterparts, and a signature transmitted by facsimile or electronic mail shall have the same effect as an original signature.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the undersigned Parties, and each individual signing represents and warrants that they are fully authorized to enter into this Agreement on behalf of the companies identified above their signatures.

SHENZHEN XUNLEI NETWORKING TECHNOLOGIES CO., LTD.

/s/ Yu Fei — May 23, 2014
(Signature) — (Date)

Yu Fei
(Name)

Vice President
(Title)

SHENZHEN XUNLEI KANKAN INFORMATION
TECHNOLOGIES CO., LTD.

/s/ Yu Fei — May 23, 2014
(Signature) (Date)

Yu Fei
(Name)

Vice President
(Title)

XUNLEI SOFTWARE (SHENZHEN) CO., LTD.

/s/ Yu Fei — May 23, 2014
(Signature) (Date)

Yu Fei
(Name)

Vice President
(Title)

MOTION PICTURE ASSOCIATION OF AMERICA, INC.

/s/ Steven B. Fabrizio — May 22, 2014
(Signature) (Date)

Steven B. Fabrizio
(Name)

SEVP and Global General Counsel
(Title)

UNIVERSAL CITY STUDIOS LLC

/s/ Steve Kang — May 23, 2014
(Signature) (Date)

Steve Kang
(Name)

VP & Sr Counsel, Anti-Piracy
(Title)

WARNER BROS. ENTERTAINMENT INC.

/s/ David Kaplan — June 9, 2014
(Signature) (Date)

David Kaplan
(Name)

SVP and IP Counsel
(Title)

VIACOM INC.

/s/ Michael D. Fricuas
(Signature) (Date)

Michael D. Fricuas
(Name)

EUP; gc; secretary
(Title)

SONY PICTURES ENTERTAINMENT INC.

/s/ Leonard Venger — May 30, 2014
(Signature) (Date)

Leonard Venger
(Name)

Assistant Secretary
(Title)

TWENTIETH CENTURY FOX FILM CORPORATION.

/s/ Ronald C. Wheeler
(Signature) (Date)

Ronald C. Wheeler
(Name)

Assistant Secretary
(Title)

WALT DISNEY STUDIOS MOTION PICTURES

/s/ Marsha L. Reed — May 28, 2014
(Signature) (Date)

Marsha L. Reed
(Name)

Secretary
(Title)

EXHIBIT A TO CONTENT PROTECTION AGREEMENT

EXHIBIT B TO CONTENT PROTECTION AGREEMENT

Exhibit 23.1

羅兵咸永道

CONSENT LETTER OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form F-1 of Xunlei Limited of our report dated March 21, 2014 relating to the consolidated financial statements of Xunlei Limited, which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/**PricewaterhouseCoopers**

Hong Kong
12 June 2014

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

XUNLEI LIMITED
CODE OF BUSINESS CONDUCT AND ETHICS

Adopted by the Board of Directors of Xunlei Limited on June 11, 2014
effective upon the effectiveness of the Company's registration statement on Form F-1 relating to the Company's initial public offering ("Effective Time")

I. PURPOSE

This Code of Business Conduct and Ethics (the "Code") contains general guidelines for conducting the business of Xunlei Limited, a Cayman Islands company, and its subsidiaries and affiliated entities (collectively, the "Company") consistent with the highest standards of business ethics, and is intended to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules or regulations, we adhere to these higher standards.

This Code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the U.S. Securities and Exchange Commission (the "SEC") and in other public communications made by the Company;
- compliance with applicable laws, rules and regulations;
- prompt internal reporting of violations of the Code; and
- accountability for adherence to the Code.

II. APPLICABILITY

This Code applies to all directors, officers and employees of the Company, whether they work for the Company on a full-time, part-time, consultative or temporary basis (each, an "employee" and collectively, the "employees"). Certain provisions of the Code apply specifically to our chief executive officer, chief financial officer, other executive officers as defined under Rule 405 under the Securities Act of 1933, as amended, senior finance officer, controller, senior vice presidents and any other persons who perform similar functions for the Company (each, a "senior officer," and collectively, the "senior officers").

The Board of Directors of the Company (the "Board") has appointed the Chief Financial Officer of the Company as the Compliance Officer for the Company (the

"Compliance Officer"). If you have any questions regarding the Code or would like to report any violation of the Code, please contact the Compliance Officer.

III. CONFLICTS OF INTEREST

Identifying Conflicts of Interest

A conflict of interest occurs when an employee's private interest interferes, or appears to interfere, in any way with the interests of the Company as a whole. An employee should actively avoid any private interest that may impact such employee's ability to act in the interests of the Company or that may make it difficult to perform the employee's work objectively and effectively. In general, the following should be considered conflicts of interest:

- Competing Business. No employee may be employed by a business that competes with the Company or deprives it of any business.
- Corporate Opportunity. No employee should use corporate property, information or his/her position with the Company to secure a business opportunity that would otherwise be available to the Company. If an employee discovers a business opportunity that is in the Company's line of business through the use of the Company's property, information or position, the employee must first present the business opportunity to the Company before pursuing the opportunity in his/her individual capacity.
- Financial Interests.

  (i) No employee may have any financial interest (ownership or otherwise), either directly or indirectly through a spouse or other family member, in any other business or entity if such interest adversely affects the employee's performance of duties or responsibilities to the Company, or requires the employee to devote time to it during such employee's working hours at the Company;

  (ii) No employee may hold any ownership interest in a company that is in competition with the Company if such ownership interest adversely affects the employee's performance of duties or responsibilities to the Company, and he/she must report to the Compliance Officer before his/her holding any ownership interest in a company that is in competition with the Company;

  (iii) No employee may hold any ownership interest in a company that has a business relationship with the Company if such employee's duties at the Company include managing or supervising the Company's business relations with that company; and

  (iv) Notwithstanding the other provisions of this Code,

  (a) a director or any immediate family member of such director (collectively, "Director Affiliates") or a senior officer or any immediate family member of such senior officer (collectively, "Officer Affiliates") may continue to hold his/her investment or other financial interest in a business or entity (an "Interested Business") that:

  (1) was made or obtained either (x) before the Company invested in or otherwise became interested in such business or entity; or (y) before the director or senior officer joined the Company (for the avoidance of doubt, regardless of whether the Company had or had not already invested in or otherwise become interested in such business or entity at the time the director or senior officer joined the Company); or

  (2) may in the future be made or obtained by the director or senior officer, provided that at the time such investment or other financial interest is made or obtained, the Company has not yet invested in or otherwise become interested in such business or entity;

  provided that such director or senior officer shall disclose such investment or other financial interest to the Board;

  (b) an interested director or senior officer shall refrain from participating in any discussion among senior officers of the Company relating to an Interested Business and shall not be involved in any proposed transaction between the Company and an Interested Business; and

  (c) before any Director Affiliate or Officer Affiliate (i) invests, or otherwise acquires any equity or other financial interest, in a business or entity that is in competition with the Company; or (ii) enters into any transaction with the Company, the related director or senior officer shall obtain prior approval from the Audit Committee of the Board.

- Loans or Other Financial Transactions. No employee may obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with, any company that is a material customer, supplier or competitor of the Company. This guideline does not prohibit arms-length transactions with recognized banks or other financial institutions.
- Service on Boards and Committees. No employee shall serve on a board of directors or trustees or on a committee of any entity (whether profit or not-for-profit) whose interests could reasonably be expected to conflict with those of the Company. Employees must obtain prior approval from the Board before accepting any such board or committee position. The Company may revisit its approval of any such position at any time to determine whether an employee's service in such position is still appropriate.

The above is in no way a complete list of situations where conflicts of interest may arise. The following questions might serve as a useful guide in assessing a potential conflict of interest situation not specifically addressed above:

- Is the action to be taken legal?

- Is it honest and fair?
- Is it in the best interests of the Company?

Disclosure of Conflicts of Interest

The Company requires that employees fully disclose any situations that could reasonably be expected to give rise to a conflict of interest. If an employee suspects that he/she has a conflict of interest, or a situation that others could reasonably perceive as a conflict of interest, the employee must report it immediately to the Compliance Officer. Conflicts of interest may only be waived by the Board, or by the appropriate committee of the Board, and will be promptly disclosed to the public to the extent required by law and applicable rules of NASDAQ.

Family Members and Work

The actions of family members outside the workplace may also give rise to conflicts of interest because they may influence an employee's objectivity in making decisions on behalf of the Company. If a member of an employee's family is interested in doing business with the Company, the criteria as to whether to enter into or continue the business relationship and the terms and conditions of the relationship must be no less favorable to the Company compared with those that would apply to an unrelated party seeking to do business with the Company under similar circumstances.

Employees should report any situation involving family members that could reasonably be expected to give rise to a conflict of interest to their supervisor or the Compliance Officer. For purposes of this Code, "family members" or "members of employee's family" include an employee's spouse, siblings, parents, children and in-laws.

IV. GIFTS AND ENTERTAINMENT

The giving and receiving of appropriate gifts may be considered common business practice. Appropriate business gifts and entertainment are welcome courtesies designed to build relationships and understanding among business partners. However, gifts and entertainment should never compromise, or appear to compromise, an employee's ability to make objective and fair business decisions.

It is the responsibility of employees to use good judgment in this area. As a general rule, employees may give or receive gifts or entertainment to or from customers or suppliers only if the gift or entertainment is in compliance with applicable law, insignificant in amount

and not given in consideration or expectation of any action by the recipient. All gifts and entertainment expenses made on behalf of the Company must be properly accounted for on expense reports.

We encourage employees to submit gifts received to the Company. While it is not mandatory to submit small gifts, gifts of over US$100 must be submitted immediately to the Compliance Department of the Company.

Bribes and kickbacks are criminal acts, strictly prohibited by law. An employee must not offer, give, solicit or receive any form of bribe or kickback anywhere in the world.

V. FCPA COMPLIANCE

The U.S. Foreign Corrupt Practices Act ("FCPA") prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. A violation of FCPA does not only violate the Company's policy but also constitute a civil or criminal offense under FCPA which the Company is subject to after the Effective Time. No employee shall give or authorize directly or indirectly any illegal payments to government officials of any country. While the FCPA does, in certain limited circumstances, allow nominal "facilitating payments" to be made, any such payment must be discussed with and approved by an employee's supervisor (in the case of the chief executive officer, by the Board) in advance before it can be made.

VI. PROTECTION AND USE OF COMPANY ASSETS

Employees should protect the Company's assets and ensure their efficient use for legitimate business purposes only. Theft, carelessness and waste have a direct impact on the Company's profitability. Any use of the funds or assets of the Company, whether for personal gain or not, for any unlawful or improper purpose is strictly prohibited.

To ensure the protection and proper use of the Company's assets, each employee should:

- Exercise reasonable care to prevent theft, damage or misuse of Company property;
- Promptly report any actual or suspected theft, damage or misuse of Company property;
- Safeguard all electronic programs, data, communications and written materials from unauthorized access; and
- Use Company property only for legitimate business purposes.

Except as approved in advance by the Chief Executive Officer or Compliance Officer of the Company, the Company prohibits political contributions (directly or through trade associations) by any employee on behalf of the Company. Prohibited political contributions include:

- any contributions of the Company's funds or other assets for political purposes;
- encouraging individual employees to make any such contribution; and
- reimbursing an employee for any political contribution.

VII. INTELLECTUAL PROPERTY AND CONFIDENTIALITY

Employee should abide by the Company's rules and policies in protecting the intellectual property and confidential information, including the following:

- All inventions, creative works, computer software, and technical or trade secrets developed by an employee in the course of performing the employee's duties or primarily through the use of the Company's assets or resources while working at the Company shall be the property of the Company.
- Employees should maintain the confidentiality of information entrusted to them by the Company or entities with which the Company has business relations, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to the company or its business associates, if disclosed.
- The Company maintains a strict confidentiality policy. During an employee's term of employment with the Company, the employee shall comply with any and all written or unwritten rules and policies concerning confidentiality and shall fulfill the duties and responsibilities concerning confidentiality applicable to the employee.
- In addition to fulfilling the responsibilities associated with his position in the Company, an employee shall not, without obtaining prior approval from the Company, disclose, announce or publish trade secrets or other confidential business information of the Company, nor shall an employee use such confidential information outside the course of his duties to the Company.
- Even outside the work environment, an employee must maintain vigilance and refrain from disclosing important information regarding the Company or its business, business associates or employees.
- An employee's duty of confidentiality with respect to the confidential information of the Company survives the termination of such employee's

employment with the Company for any reason until such time as the Company discloses such information publicly or the information otherwise becomes available in the public sphere through no fault of the employee.

- Upon termination of employment, or at such time as the Company requests, an employee must return to the Company all of its property without exception, including all forms of medium containing confidential information, and may not retain duplicate materials.

VIII. ACCURACY OF FINANCIAL REPORTS AND OTHER PUBLIC COMMUNICATIONS

Upon the Effective Time, the Company will be required to report its financial results and other material information about its business to the public and the SEC. It is the Company's policy to promptly disclose accurate and complete information regarding its business, financial condition and results of operations. Employees must strictly comply with all applicable standards, laws, regulations and policies for accounting and financial

reporting of transactions, estimates and forecasts. Inaccurate, incomplete or untimely reporting will not be tolerated and can severely damage the Company and result in legal liability.

Employees should be on guard for, and promptly report, any possibility of inaccurate or incomplete financial reporting. Particular attention should be paid to:

- Financial results that seem inconsistent with the performance of the underlying business;
- Transactions that do not seem to have an obvious business purpose; and
- Requests to circumvent ordinary review and approval procedures.

The Company's senior financial officers and other employees working in the finance department have a special responsibility to ensure that all of the Company's financial disclosures are full, fair, accurate, timely and understandable. Any practice or situation that might undermine this objective should be reported to the Compliance Officer.

Employees are prohibited from directly or indirectly taking any action to coerce, manipulate, mislead or fraudulently influence the Company's independent auditors for the purpose of rendering the financial statements of the Company materially misleading. Prohibited actions include but are not limited to:

- issuing or reissuing a report on the Company's financial statements that is not warranted in the circumstances (due to material violations of U.S. GAAP, generally accepted auditing standards or other professional or regulatory standards);

- not performing audit, review or other procedures required by generally accepted auditing standards or other professional standards;
- not withdrawing an issued report when withdrawal is warranted under the circumstances; or
- not communicating matters required to be communicated to the Company's Audit Committee.

IX. COMPANY RECORDS

Accurate and reliable records are crucial to the Company's business and form the basis of its earnings statements, financial reports and other disclosures to the public. The Company's records are a source of essential data that guides business decision-making and strategic planning. Company records include, but are not limited to, booking information, payroll, timecards, travel and expense reports, e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of business.

All Company records must be complete, accurate and reliable in all material respects. There is never an acceptable reason to make false or misleading entries. Undisclosed or unrecorded funds, payments or receipts are strictly prohibited. An employee is responsible for understanding and complying with the Company's record keeping policy. An employee should contact the Compliance Officer if he/she has any questions regarding the record keeping policy.

X. COMPLIANCE WITH LAWS AND REGULATIONS

Each employee has an obligation to comply with the laws of the cities, provinces, regions and countries in which the Company operates. This includes, without limitation, laws covering commercial bribery and kickbacks, patent, copyrights, trademarks and trade secrets, information privacy, insider trading, offering or receiving gratuities, employment harassment, environmental protection, occupational health and safety, false or misleading financial information, misuse of corporate assets and foreign currency exchange activities. Employees are expected to understand and comply with all laws, rules and regulations that apply to their positions at the Company. If any doubt exists about whether a course of action is lawful, the employee should seek advice immediately from the Compliance Officer.

XI. DISCRIMINATION AND HARASSMENT

The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment based on race, ethnicity, religion, gender, age, national origin or any other protected class. For further information, employees should consult the Compliance Officer.

XII. FAIR DEALING

Each employee should endeavor to deal fairly with the Company's customers, suppliers, competitors and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

XIII. HEALTH AND SAFETY

The Company strives to provide employees with a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for other employees by following environmental, safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. Violence or threats of violence are not permitted.

Each employee is expected to perform his/her duty to the Company in a safe manner, not under the influence of alcohol, illegal drugs or other controlled substances. The use of illegal drugs or other controlled substances in the workplace is prohibited.

XIV. VIOLATIONS OF THE CODE

All employees have a duty to report any known or suspected violation of this Code, including any violation of laws, rules, regulations or policies that apply to the Company. Reporting a known or suspected violation of this Code by others will not be considered an act of disloyalty, but an action to safeguard the reputation and integrity of the Company and its employees.

If an employee knows of or suspects a violation of this Code, it is such employee's responsibility to immediately report the violation to the Compliance Officer, who will work with the employee to investigate his/her concern. All questions and reports of known or suspected violations of this Code will be treated with sensitivity and discretion. The Compliance Officer and the Company will protect the employee's confidentiality to the extent possible, consistent with the law and the Company's need to investigate the employee's concern.

It is the Company's policy that any employee who violates this Code will be subject to appropriate discipline, including termination of employment, based upon the facts and circumstances of each particular situation. An employee's conduct, if it does not comply with the law or with this Code, can result in serious consequences for both the employee and the Company.

The Company strictly prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. An employee inflicting reprisal or retaliation against another employee for reporting a known or suspected violation will be subject to disciplinary action, including termination of employment.

XV. WAIVERS OF THE CODE

Waivers of this Code will be granted on a case-by-case basis and only in extraordinary circumstances. Waivers of this Code may be made only by the Board, or the appropriate committee of the Board, and may be promptly disclosed to the public if so required by applicable laws and regulations and rules of NASDAQ.

XVI. CONCLUSION

This Code contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. If employees have any questions about these guidelines, they should contact the Compliance Officer. We expect all employees to adhere to these standards. Each employee is separately responsible for his/her actions. Conduct that violates the law or this Code cannot be justified by claiming that it was ordered by a supervisor or someone in higher management positions. If an employee engages in conduct prohibited by the law or this Code, such employee will be deemed to have acted outside the scope of his/her employment. Such conduct will subject the employee to disciplinary action, including termination of employment.

****

中倫律师事务所
ZHONG LUN LAW FIRM
上海市浦东新区世纪大道 8 号国金中心二期10-11楼 邮编：200120
Level 10 & 11, Two IFC, No. 8 Century Avenue, Pudong New Area, Shanghai 200120, PRC
电话/ Tel: (8621) 60613666 传真/ Fax: (8621) 60613555
网址 http://www.zhonglun.com

LEGAL OPINION

To: **XUNLEI LIMITED**
4/F, Hans Innovation Mansion
No. 9018 North Ring Road, High-Tech Park, Nanshan District
Shenzhen 518057
People's Republic of China

June 12, 2014

Dear Sir/Madam:

1. We are lawyers qualified in the People's Republic of China (the "PRC") and are qualified to issue opinions on the PRC Laws (as defined in Section 4). For the purpose of this legal opinion (this "Opinion"), the PRC does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

2. We act as the PRC counsel to Xunlei Limited (the "Company"), a company incorporated under the laws of Cayman Islands, in connection with (a) the proposed initial public offering (the "Offering") by the Company of American Depositary Shares ("ADSs"), representing common shares of par value US$0.00025 per share of the Company ("Common Shares") (together with the ADSs, the "Offered Securities"), in accordance with the Company's registration statement on Form F-1, including all amendments or supplements thereto (the "Registration Statement"), filed by the Company with the Securities and Exchange Commission (the "SEC") under the U.S. Securities Act of 1933 (as amended), and (b) the Company's proposed listing of the ADSs on the NASDAQ Global Select Market.

3. In so acting, we have examined the Registration Statement, the originals or copies certified or otherwise identified to our satisfaction, of documents provided to us by the Company and such other documents, corporate records, certificates, approvals and other instruments as we have deemed necessary for the purpose of rendering this opinion, including, without limitation, originals or copies of the agreements and certificates issued by PRC authorities and officers of the Company ("Documents"). In such examination, we have assumed the accuracy of the factual matters described in the Registration Statement and that the Registration Statement and other documents will be executed by the parties in the forms provided to and reviewed by us. We have also assumed the

genuineness of all signatures, seals and chops, the authenticity of all documents submitted to us as originals, and the conformity with the originals of all documents submitted to us as copies, and the truthfulness, accuracy and completeness of all factual statements in the documents.

4. The following terms as used in this Opinion are defined as follows:

"Giganology Shenzhen"	means Giganology (Shenzhen) Co., Ltd.
"M&A Rules"	means the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors jointly promulgated by the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration of Industry and Commerce, China Securities Regulatory Commission ("CSRC") and the State Administration of Foreign Exchange of the PRC on August 8, 2006 and amended on June 22, 2009.
"PRC Group Companies"	means Giganology Shenzhen, Thunder Computer, Shenzhen Xunlei and its subsidiaries. "PRC Group Company" shall be construed accordingly.
"PRC Laws"	means any and all laws, regulations, statutes, rules, decrees, notices, and supreme court's judicial interpretations currently in force and publicly available in the PRC as of the date hereof.
"Prospectus"	means the prospectus, including all amendments or supplements thereto, that forms part of the Registration Statement.
"Shenzhen Xunlei"	means Shenzhen Xunlei Networking Technologies Co., Ltd.
"Thunder Computer"	means Thunder Computer (Shenzhen) Limited.

Capitalized terms used herein and not otherwise defined herein shall have the same meanings described in the Registration Statement.

5. Based upon and subject to the foregoing, we are of the opinion that:

(1) *Corporate Structure.* The descriptions of the corporate structure of the PRC Group Companies set forth in "Corporate History and Structure" section of the Prospectus are true and accurate and nothing has been omitted from such description which would make the same misleading in any material respects.

In addition, (a) the ownership structures of Giganology Shenzhen, Thunder Computer and Shenzhen Xunlei in China, both currently and after giving effect to this offering, comply with all existing PRC Laws; and (b) the contractual arrangements among Giganology Shenzhen, Shenzhen Xunlei and its shareholders governed by PRC Laws are valid, binding and enforceable, and will not result in any violation of PRC Laws.

(2) *M&A Rules*. We have advised the Company as to the content of the M&A Rules, in particular the relevant provisions thereof that purport to require offshore special purpose vehicles formed for the purpose of obtaining a stock exchange listing outside of PRC and controlled directly or indirectly by Chinese companies or natural persons, to obtain the approval of the CSRC prior to the listing and trading of their securities on stock exchange located outside of PRC.

CSRC approval is not required in the context of this Offering because (1) CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like the Company's under the Prospectus are subject to the M&A Rules; (2) Giganology Shenzhen and Thunder Computer are directly established by the Company as wholly foreign-owned enterprises, and the Company has not acquired any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of the Company after the effective date of the M&A Rules; and (3) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules.

The statements set forth in the Prospectus under the captions "Risk Factors — Risks Related to Doing Business in China — The approval of the China Securities Regulatory Commission 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." when taken together with the statements under "Regulation—Regulation on Overseas Listings," are fair and accurate summaries of the matters described therein, and nothing has been omitted from such summaries that would make the same misleading in any material respect.

(3) *Taxation.* The statements set forth under the caption "Taxation" in the Registration Statement insofar as they constitute statement of the PRC tax law, are accurate in all material respects and that such statements constitute our opinion.

(4) *Enforceability of Civil Procedures.* There is uncertainty as to whether the courts of the PRC would: (i) recognize or enforce judgments of United

States courts obtained against the Company or directors or officers of the Company predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or (ii) entertain original actions brought in each respective jurisdiction against the Company or directors or officers of the Company predicated upon the securities laws of the United States or any state in the United States.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country where the judgment is made or on principles of reciprocity between jurisdictions provided that the foreign judgments do not violate the basic principles of laws of the PRC or its sovereignty, security, or social and public interest. However, the PRC does not have any treaties or other form of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States, and it may be inevitable to relitigate at a competent Chinese court in order to seek available remedies.

(5) *Statements in the Prospectus.* The statements in the Prospectus under the headings "Prospectus summary", "Risk factors", "Corporate history and structure", "Management's discussion and analysis of financial condition and results of operations", "Enforceability of civil liabilities", "Dividend policy", "Business", "Management", "Related party transactions", "Regulation", "Taxation" and "Legal matters" (other than the financial statements and related schedules and other financial data contained therein to which we express no opinion) to the extent such statements relate to matters of the PRC Laws or documents, agreements or proceedings governed by the PRC Laws, are true and accurate in all material respects, and fairly present and fairly summarize in all material respects the PRC Laws, documents, agreements or proceedings referred to therein, and we have no reason to believe there has been anything omitted from such statements which would make the statements, in light of the circumstance under which they were made, misleading in any material aspect.

6. This opinion is subject to the following qualifications:

(a) This Opinion relates only to the PRC Laws and we express no opinion as to any other laws and regulations. There is no guarantee that any of the PRC Laws, or the interpretation thereof or enforcement therefor, will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect.

(b) This Opinion is intended to be used in the context which is specifically referred to herein and each section should be looked on as a whole regarding the same subject matter and no part shall be extracted for interpretation separately from this Opinion.

(c) This Opinion is subject to the effects of (i) certain legal or statutory principles affecting the enforceability of contractual rights generally under the concepts of public interest, national security, good faith and fair dealing, applicable statutes of limitation, and the limitations by bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditor's rights generally; (ii) any circumstance in connection with formulation, execution or performance of any legal documents that would be deemed materially mistaken, clearly unconscionable, fraudulent; (iii) judicial discretion with respect to the availability of injunctive relief, the calculation of damages, and the entitlement of attorneys' fees and other costs; and (iv) the discretion of any competent PRC legislative, administrative or judicial bodies in exercising their authority in connection with the interpretation, implementation and application of relevant PRC Laws.

This Opinion is rendered to you for the purpose hereof only, and save as provided herein, this Opinion shall not be quoted nor shall a copy be given to any person (apart from the addressee) without our express prior written consent except where such disclosure is required to be made by the applicable law or is requested by SEC or any other regulatory agencies.

We hereby consent to the use of this Opinion in, and the filing hereof as an exhibit to, the Registration Statement. In giving such consent, we do not thereby admit that we fall within the category of the person whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the regulations promulgated thereunder.

[The remainder of this page is intentionally left blank.]

[Signature Page]

Yours faithfully,

/s/ Zhong Lun Law Firm

Zhong Lun Law Firm

Exhibit 99.3

June 12, 2014

Xunlei Limited
4/F, Hans Innovation Mansion, North Ring Road
No. 9018 High-Tech Park, Nanshan District
Shenzhen, 518057
People's Republic of China

Ladies and Gentlemen:

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I hereby consent to the references of my name in the Registration Statement on Form F-1 (the "Registration Statement") of Xunlei Limited (the "Company"), and any amendments thereto, which indicate that I have accepted the nomination to become a director of the Company. I further agree that immediately upon the declaration of effectiveness of the Company's registration statement on Form F-1 by the Securities and Exchange Commission of the United States (the "SEC") that was initially submitted to the SEC on January 7, 2014, I will serve as a member of the board of directors of the Company.

Sincerely yours,

/s/ Jenny Wenjie Wu
Name: Jenny Wenjie Wu

Exhibit 99.4

June 12, 2014

Xunlei Limited
4/F, Hans Innovation Mansion, North Ring Road
No. 9018 High-Tech Park, Nanshan District
Shenzhen, 518057
People's Republic of China

Ladies and Gentlemen:

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I hereby consent to the references of my name in the Registration Statement on Form F-1 (the "Registration Statement") of Xunlei Limited (the "Company"), and any amendments thereto, which indicate that I have accepted the nomination to become a director of the Company. I further agree that immediately upon the declaration of effectiveness of the Company's registration statement on Form F-1 by the Securities and Exchange Commission of the United States (the "SEC") that was initially submitted to the SEC on January 7, 2014, I will serve as a member of the board of directors of the Company.

Sincerely yours,

/s/ Yongfu Yu
Name: Yongfu Yu