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

FORM 20-F

(Mark One)

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

or

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2015.

or

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

or

For the transition period from to

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

Date of event requiring this shell company report

Commission file number: 001-35147

Renren Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

5/F, North Wing
18 Jiuxianqiao Middle Road
Chaoyang District, Beijing 100016
People's Republic of China

(Address of principal executive offices)

Thomas Jintao Ren, Chief Financial Officer
Telephone: +86 (10) 8448-1818
Email: ir@renren-inc.com
5/F, North Wing
18 Jiuxianqiao Middle Road
Chaoyang District, Beijing 100016
People's Republic of China

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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

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

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

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

None

(Title of Class)

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

None

(Title of Class)

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

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

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

☐ Yes ☒ No

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

☐ Yes ☒ No

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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

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

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

☐ Item 17 ☐ Item 18

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

☐ Yes ☒ No

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

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

☐ Yes ☐ No

TABLE OF CONTENTS

INTRODUCTION		1
FORWARD-LOOKING STATEMENTS		1
PART I		2
Item 1.	Identity of Directors, Senior Management and Advisers	2
Item 2.	Offer Statistics and Expected Timetable	2
Item 3.	Key Information	2
Item 4.	Information on the Company	40
Item 5.	Operating and Financial Review and Prospects	66
Item 6.	Directors, Senior Management and Employees	95
Item 7.	Major Shareholders and Related Party Transactions	106
Item 8.	Financial Information	109
Item 9.	The Offer and Listing	110
Item 10.	Additional Information	111
Item 11.	Quantitative and Qualitative Disclosures About Market Risk	120
Item 12.	Description of Securities Other than Equity Securities	121
PART II		123
Item 13.	Defaults, Dividend Arrearages and Delinquencies	123
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds	123
Item 15.	Controls and Procedures	124
Item 16.	Reserved	126
PART III		128
Item 17.	Financial Statements	128
Item 18.	Financial Statements	128
Item 19.	Exhibits	128

INTRODUCTION

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

- "Activated users" refers to the number of Renren user accounts that have been registered and activated. Our users may register with us through their mobile phone number or their email address. Following registration by mobile phone number, the mobile phone will receive an SMS verification code, which must be entered to activate the account. Following registration by email address, an email containing an activation link will automatically be sent to the user's email address, and the user must then activate by clicking the link. Not all registered users activate the accounts they register with us.
- "ADSs" refers to our American depositary shares, each of which represents three Class A ordinary shares.
- "Monthly unique log-in users" refers to the number of different user accounts from which Renren Mobile App or *renren.com* has been logged onto during a given month.
- The "PRC" or "China" refers to the People's Republic of China, excluding, for purposes of this annual report only, Hong Kong, Macau and Taiwan.
- "Shares" or "ordinary shares" refer, collectively, to our Class A and Class B ordinary shares, par value US$0.001 per share. Except as otherwise indicated, all share and per share data in this annual report give retroactive effect to the ten-for-one share split that became effective on March 25, 2011.
- "SNS" refers to social networking services.
- "We," "us," "our company," and "our" refer to Renren Inc. and its subsidiaries, its consolidated affiliated entities, and subsidiaries of its consolidated affiliated entities.

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

Selected Consolidated Financial Data

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

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

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

	Year ended December 31,				
	2011	2012	2013	2014	2015
	(in thousands of US$, except for share, per share and per ADS data)				
Summary Consolidated Statement of Operations Data:					
Net revenues	$ 109,427	$ 152,881	$ 64,050	$ 46,668	$ 41,111
Cost of revenues	24,501	48,196	32,970	34,663	36,720
Gross profit	84,926	104,685	31,080	12,005	4,391
Operating expenses(1):					
Selling and marketing	36,101	47,194	43,166	34,593	30,502
Research and development	37,072	71,104	54,716	42,697	32,392
General and administrative	14,908	32,640	38,021	48,764	46,803
Impairment of intangible assets	446	—	—	—	—
Impairment of goodwill	—	—	—	46,864	—
Total operating expenses	88,527	150,938	135,903	172,918	109,697
Loss from operations	3,601	46,253	104,823	160,913	105,306
Other income (expenses)	2,300	2,446	979	(1,352)	(6,884)
Exchange gain (loss) on dual currency deposit/offshore bank accounts	7,753	(1,769)	1,476	(2,277)	(174)
Interest income	9,570	20,025	12,769	12,569	2,190
Interest expense	—	—	—	—	(2,041)
Realized gain (loss) on short-term investments	50,911	4,317	56,022	139,265	(98,112)
Impairment of short-term investments	—	—	(2,098)	—	—
Impairment of equity method investments	—	—	(23,025)	—	(4,258)
Impairment of cost method investment	(79)	—	—	—	—
(Loss) income before provision of income tax and earnings (loss) in equity method investments and noncontrolling interest, net of income taxes	66,854	(21,234)	(58,700)	(12,708)	(214,585)
Income tax benefit (expenses)	(640)	(1,377)	3,959	(6,517)	(3,124)
(Loss) income before earnings (loss) in equity method investments and noncontrolling interest, net of income taxes	66,214	(22,611)	(54,741)	(19,225)	(217,709)
Earnings (loss) in equity method investments, net of income taxes	1,320	(7,471)	20,317	49,015	(5,468)
Income (loss) from continuing operations	67,534	(30,082)	(34,424)	29,790	(223,177)
(Loss) income from the operations of the discontinued operations, net of income taxes	(26,530)	(44,971)	(34,600)	(27,194)	1,520
Gain on deconsolidation of the subsidiaries, net of income taxes	—	—	132,665	489	—
Gain on disposal of equity method investment, net of income taxes	—	—	—	56,993	—
Gain (loss) from discontinued operations, net of income taxes	(26,530)	(44,971)	98,065	30,288	1,520
Net income (loss)	41,004	(75,053)	63,641	60,078	(221,657)
Net loss attributable to the noncontrolling interest	252	27	92	382	1,529
Net income (loss) from continuing operations attributable to Renren Inc.	67,786	(30,055)	(34,332)	30,172	(221,648)
Net income (loss) from discontinued operations attributable to Renren Inc.	(26,530)	(44,971)	98,065	30,288	1,520
Net income (loss) attributable to Renren Inc.	$ 41,256	$ (75,026)	$ 63,733	$ 60,460	$ (220,128)
Net income (loss) per share:					
Net income (loss) per share from continuing operations attributable to Renren Inc. shareholders:					
Basic	$ 0.08	$ (0.03)	$ (0.03)	$ 0.03	$ (0.22)

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

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

	Year ended December 31,				
	2011	2012	2013	2014	2015
	(in thousands of US$)				
Allocation of Share-based Compensation Expenses:					
Selling and marketing	414	356	138	193	243
Research and development	1,628	1,511	404	916	781
General and administrative	3,227	7,820	9,608	18,983	25,481
	5,269	9,687	10,150	20,092	26,505
Expenses from the discontinued operations	254	1,210	5,988	3,512	1,736
Total share-based compensation expenses	$ 5,523	$ 10,897	$ 16,138	$ 23,604	$ 28,241

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

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

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business and Industry

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

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

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

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

Our assets include a 21.2% interest in Social Finance Inc., a 20.0% interest in 268V Limited, a 14.7% interest in Lending Home Corporation, a 29.0% interest in Trucker Path Inc. and a 25.3% interest in Rise Companies Corp. These and other investments that we have made may be deemed to be "investment securities" within the meaning of the Investment Company Act of 1940, as amended. As a foreign private issuer, we would not be eligible to register under the Investment Company Act, so if we are deemed to be an investment company within the meaning of the Investment Company Act, we would either have to obtain exemptive relief from the SEC, modify our contractual rights or dispose of investments in order to fall outside the definition of an investment company. Additionally, we may have to forego potential future acquisitions of interests in companies that may be deemed to be investment securities within the meaning of the Investment Company Act. Failure to avoid being deemed an investment company under the Investment Company Act coupled with our inability as a foreign private issuer to register under the Investment Company Act could make us unable to comply with our reporting obligations as a public company in the United States and lead to our being delisted from the New York Stock Exchange, which would have a material adverse effect on the liquidity and value of our ADSs and Class A ordinary shares.

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

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

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

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

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

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

Following our initial public offering and concurrent private placement in 2011, we held a significant portion of our total assets in the form of cash, cash equivalents and term deposits at commercial banks with high credit ratings. Between 2011 and 2013, the aggregate value of our cash, cash equivalents and term deposits declined while our short-term investments increased significantly. Short-term investments comprise marketable securities which are classified as trading or available-for-sale as well as derivative financial instruments that are regarded as assets. After 2013, we liquidated most of our short-term investments in order to deploy cash in long-term investments in connection with the transition in our business strategy and focus, but we also made investments in certain derivative financial instruments in 2014 and 2015, including interest rate swaptions, interest rate swaps and stock index options. As a consequence of our cash management strategies, our gains and losses on short-term investments have fluctuated significantly. We realized gains on short-term investments of US$56.0 million and US$139.3 million in 2013 and 2014, respectively, and incurred losses on short-term investments of US$98.1 million in 2015. The losses in 2015 were due primarily to investments in certain derivative financial instruments. As we proceed with our plans to dispose of long-term investments in 2016, we expect our cash to increase at least temporarily until we can deploy it in our business, and if we fail to manage our cash prudently, we may suffer material losses or material fluctuation in the value of our assets or be unable to carry out our business strategies.

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

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

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

- costs and difficulties associated with integrating acquired businesses and managing a larger business;
- potentially significant goodwill impairment charges;
- potential ongoing financial obligations and unforeseen or hidden liabilities;
- failure to achieve our intended objectives, benefits or revenue-enhancing opportunities;
- high acquisition and financing costs;
- potential claims or litigation regarding our board's exercise of its duty of care and other duties required under applicable law in connection with any of our significant acquisitions or investments approved by the board;
- regulatory risk in the United States, the PRC and other countries; and
- diversion of our resources and management attention.

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

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

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

The success of our business depends in part on our ability to grow our SNS user base and keep our users highly engaged. In order to attract and retain users, we must continue to innovate and introduce services and applications that our users find enjoyable. If we fail to anticipate and meet the needs of our users, the size and engagement level of our user base may decrease, as it has done in the last several years. Furthermore, because of the viral nature of social networking, users may switch to our competitors' services more quickly than in other online sectors, despite the fact that it would be time-consuming for them to restart the process of establishing connections with friends and post photos and other content via one of our competitor's services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the process of preparing our consolidated financial statements for the year ended December 31, 2014, a significant deficiency was identified related to the monitoring of the formal documentation of the board's preapproval for certain long-term investments. Accordingly, we established a monitoring control in fiscal year 2015 to ensure that we properly conduct and document the formal board resolutions on preapproval for investments and we concluded that, as of December 31, 2015, this significant deficiency had been remediated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- global economic conditions;
- our ability to enhance user experience and maintain and increase user traffic;
- our ability to attract and retain advertisers or recognize online advertising revenues in a given quarter;
- the growth of the social networking industry in China;
- our ability to monetize the mobile versions of our applications and services;
- our ability to develop internet finance services;
- the growth of the internet finance industry in China;
- competition in our industries in China;
- changes in government policies or regulations, or their enforcement;
- geopolitical events or natural disasters such as war, threat of war, earthquake or epidemics; and
- losses from or impairment of our equity method investments.
- decreases in market value or impairment of our marketable securities.

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

We have limited business insurance coverage.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SAFE promulgated a circular in November 2010, known as Circular No. 59, which tightens the examination of the authenticity of settlement of net proceeds from our initial public offering and requires that the settlement of net proceeds shall be in accordance with the description in the prospectus included in our registration statement on Form F-1 (Registration No. 333-173548), which was filed with the SEC in connection with our initial public offering. In March 2015, SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which became effective on June 1, 2015. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or choose to follow the "conversion-at-will" system for foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will system for foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its Renminbi registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. Nevertheless, foreign-invested enterprises like our PRC subsidiaries are still not allowed to extend intercompany loans to our VIEs. In addition, as SAFE Circular 19 was promulgated recently, there remain substantial uncertainties with respect to the interpretation and implementation of this circular by relevant authorities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Doing Business in China

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In February 2012, SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies, or the Stock Option Notice. This Stock Option Notice replaced the previous Stock Option Rules. The Stock Option Notice simplifies the requirements and procedures for the registration of stock incentive plan participants, especially in respect of the required application documents and the absence of strict requirements on offshore and onshore custodian banks, as were stipulated in the earlier Stock Option Rules. Under these rules, for PRC resident individuals who participate in stock incentive plans of overseas publicly listed companies, which includes employee stock ownership plans, stock option plans and other incentive plans permitted by relevant laws and regulations, a PRC domestic qualified agent or the PRC subsidiary of such overseas listed company must, among other things, file, on behalf of such resident, an application with SAFE or its local counterpart to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock holding or share option exercises as PRC residents may not directly use oversea funds to purchase shares or exercise share options. In addition, within three months after any substantial changes to any such stock incentive plan, including for example any changes due to merger or acquisition or changes to the domestic or overseas custodian agent, the domestic agent must update the registration with SAFE.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our ADSs

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

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

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

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

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

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

- regulatory developments in our industry affecting us, our advertisers or our competitors;
- announcements of studies and reports relating to the quality of our services or those of our competitors;
- changes in the economic performance or market valuations of other companies that provide SNS, online advertising, social commerce services or internet finance services, or other internet companies;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the SNS and online advertising industries or the internet industry in general;
- announcements by us or our competitors of new services, acquisitions, strategic relationships, joint ventures or capital commitments;
- additions to or departures of our senior management;
- fluctuations of exchange rates between the RMB and the U.S. dollar; and
- sales or perceived potential sales of additional ordinary shares or ADSs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Your ADSs are transferable on the books of the 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 in accordance with the terms of the deposit agreement.

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

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

Our corporate affairs are governed by our amended and restated memorandum and articles of association, as amended and restated from time to time, and by the Companies Law (2013 Revision) and common law of the Cayman Islands. The rights of shareholders to take legal action against us and our directors, actions by minority shareholders and the fiduciary responsibilities of our directors are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which provides persuasive, but not binding, authority. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States and provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in U.S. federal courts.

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

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

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

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

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

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

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

Item 4. Information on the Company

A. History and Development of the Company

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

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

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

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

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

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

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

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

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

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

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

B. Business Overview

Overview

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

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

Currently, our primary services are:

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

Renren SNS

Renren, our main real name social networking website plus mobile service, is the foundation of our service offerings. *Renren.com* and Renren Mobile App enable users to communicate and stay connected with their friends, classmates, family members and co-workers. We began at university campuses, and we believe our users include a significant portion of current college students and recent college graduates in China. Our real name social networking community has diversified over the years to include white-collar professionals, university-bound high school students and other demographics. Since December 2013, partly due to increased competition for the white collar demographic and their migration to social messaging services, we have begun re-focusing on the younger demographic such as university students. We believe real name relationships, through which users share personal content and experiences, provide the basis for a deeper and more authentic sense of community, and hence create stronger and more enduring social graphs on the network. With approximately 88% of our traffic now coming from our mobile services, we have transformed from a PC-based social networking company to a mobile-oriented social networking services provider.

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

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

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

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

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

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

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

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

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

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

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

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

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

Our Internet Finance Business

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

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

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

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

Payment Methods and Systems

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

- Online—Users can purchase the virtual currency directly on our Renren platform through third-party online payment systems using bank cards and mobile and SMS payments, among other methods. In cooperation with third-party payment service providers, such as Alipay, 99 Bills, Yeepay and Jcard, we provide a wide selection of payment services to users.
- Offline—Users can purchase online prepaid cards redeemable for our virtual currency from retail points across China, which primarily consist of newsstands, convenience stores and internet cafés.

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

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

Sales and Marketing

Advertising Sales

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

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

Marketing and Brand Promotion

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

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

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

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

Seasonality

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

Competition

The internet industry in China is rapidly evolving and highly competitive. We face significant competition in almost every aspect of our business. In our social networking business, we compete with companies and services such as Tencent's WeChat, QQ Mobile and Q-zone, SINA's Weibo, and Momo. In our internet finance business, we primarily compete with established banks and with lending companies in China such as Qufenqi.com and Fenqile.com in online consumer financing services and Chedai.com and Limiku.com in automobile financing services. We expect the competition in the industry finance industry in China will continue to intensify as the industry develops in the near future. We also compete for online advertising revenues with other websites that sell online advertising services in China. In addition, we indirectly compete for advertising budgets with traditional advertising media in China, such as television and radio stations, newspapers and magazines, and major out-of-home media. We may also face potential competition from global social networking service providers that seek to enter the China market.

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

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

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

Regulation

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

Regulations on Value-Added Telecommunications Services

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

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

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

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

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

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

Restrictions on Foreign Ownership in Value-Added Telecommunications Services

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

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

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

Regulations on Internet Content Services

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

- opposes the fundamental principles stated in the PRC constitution;
- compromises national security, divulges state secrets, subverts state power or damages national unity;
- harms the dignity or interests of the state;
- incites ethnic hatred or racial discrimination or damages inter-ethnic unity;
- undermines the PRC's religious policy or propagates superstition;
- disseminates rumors, disturbs social order or disrupts social stability;
- disseminates obscenity or pornography, encourages gambling, violence, murder or fear or incites the commission of a crime;
- insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or
- is otherwise prohibited by law or administrative regulations.

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

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

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

Regulations on Internet Finance Services

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

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

Regulations on Consumer Finance Companies

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

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

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

Regulations on Internet Publishing

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

Regulations on Information Security

The Ministry of Public Security promulgated measures in 1997 that prohibit the use of the internet in ways which, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC national defense, state affairs and other matters as determined by the PRC authorities. In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets.

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

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

Regulations on Internet Privacy

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

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

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

Regulations on Virtual Currency

The Notice on the Reinforcement of the Administration of Internet Cafes and Online Games, jointly issued by the Ministry of Culture, the People's Bank of China and other government authorities in 2007, directs the People's Bank of China to strengthen the administration of virtual currency in online games to avoid any adverse impact on the real economic and financial systems. This notice provides that the total amount of virtual currency issued by online game operators and the amount purchased by individual users should be strictly limited, with a strict and clear division between virtual transactions and real e-commerce transactions. This notice also provides that virtual currency should only be used to purchase virtual items.

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

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

Regulations on Advertisements

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

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

Regulations on Broadcasting Audio/Video Programs through the Internet

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

In 2007, the SARFT and the MIIT jointly issued the Rules for the Administration of Internet Audio and Video Program Services, commonly known as Circular 56, which came into effect as of January 31, 2008. Circular 56 reiterates the requirement set forth in the A/V Broadcasting Rules that online audio/video service providers must obtain a license from the SARFT. Furthermore, Circular 56 requires all online audio/video service providers to be either wholly state-owned or state-controlled. According to relevant official answers to press questions published on the SARFT's website dated February 3, 2008, officials from the SARFT and the MIIT clarified that online audio/video service providers that already had been operating lawfully prior to the issuance of Circular 56 may re-register and continue to operate without becoming state-owned or controlled, provided that such providers have not engaged in any unlawful activities. This exemption will not be granted to online audio/video service providers established after Circular 56 was issued. Such policies have been reflected in the Application Procedure for Audio/Video Program Transmission License.

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

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

Regulations on Internet Mapping Services

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

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

Regulations Relating to Online Peer-to-Peer Lending

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

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

Regulations on Loans between Individuals

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

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

Regulations on Illegal Fund-Raising

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

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

Regulations on Peer-to-Peer Lending Service Provider

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

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

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

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

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

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

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

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

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

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

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

Anti-money Laundering Regulations

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

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

Regulations on Foreign Investment in the Leasing Industry

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

Regulations on Intellectual Property Rights

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

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

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

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

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

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

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

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

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

Regulations on Foreign Exchange

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

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

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

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

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

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

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

Regulations on Dividend Distribution

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

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

Regulations on Offshore Investment by PRC Residents

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

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

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

Regulations on Employee Stock Options Plans

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

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

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

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

Labor Laws and Social Insurance

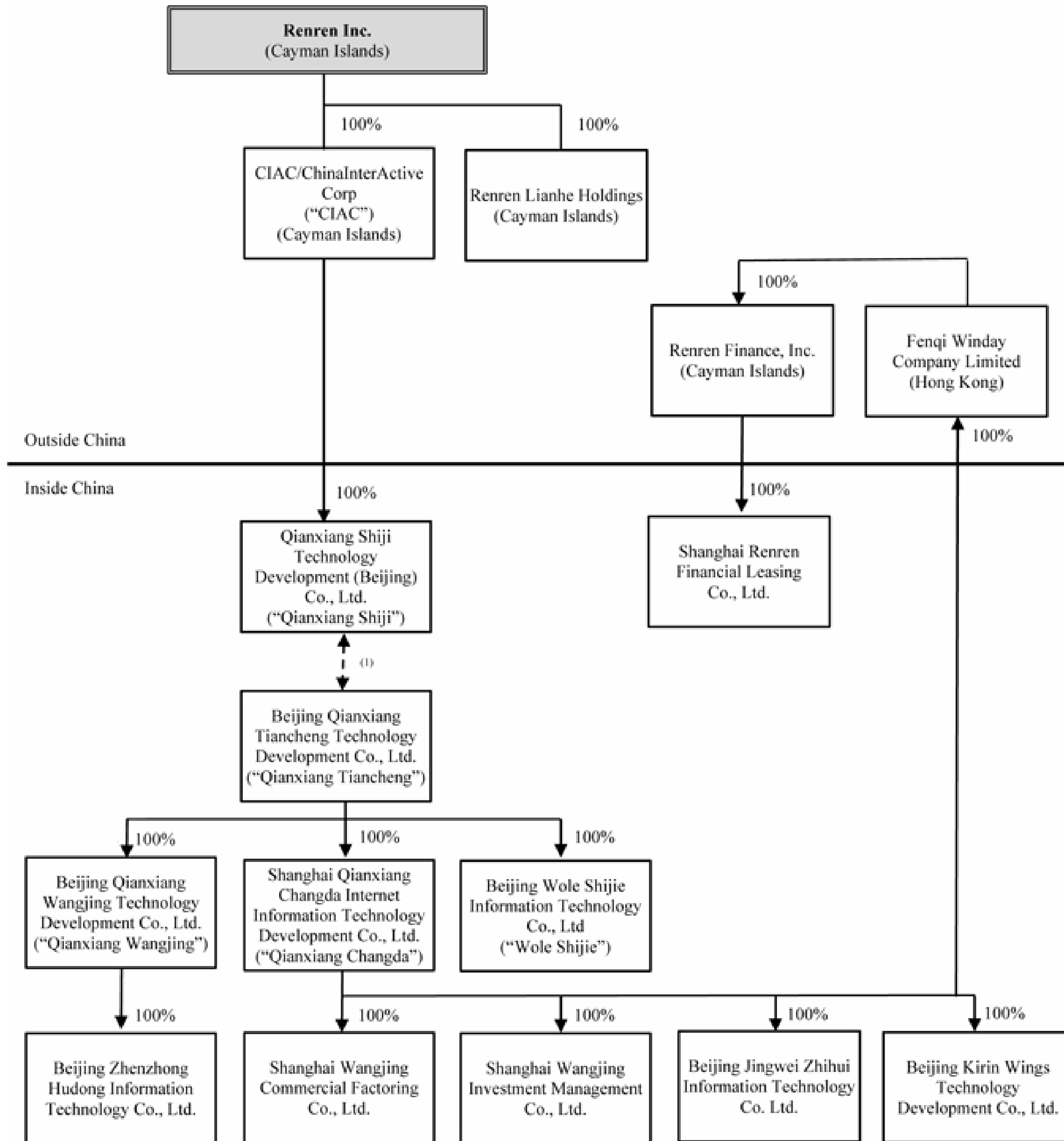
Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor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

Regulations on Concentration in Merger and Acquisition Transactions

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

C. Organizational Structure

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



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

Contractual Arrangements with Our Consolidated Affiliated Entities

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

- exercise effective control over Qianxiang Tiancheng and its subsidiaries through powers of attorney and a business operations agreement;
- receive substantially all of the economic benefits of Qianxiang Tiancheng and its subsidiaries in the form of service and license fees in consideration for the technical services provided, and the intellectual property rights licensed, by Qianxiang Shiji; and
- have an exclusive option to purchase all of the equity interests in Qianxiang Tiancheng when and to the extent permitted under PRC laws, regulations and legal procedures.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Property, Plants and Equipment

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

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

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3.D. Key Information—Risk Factors" and elsewhere in this annual report on Form 20-F.

A. Operating Results

Overview

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

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

- the corporate restructuring of our online games business, which was originally under IVAS and now had its own management team and operating entities to meet its business needs; and
- the acquisition in October 2013 by Baidu Holdings Limited, a subsidiary of Baidu, Inc., of approximately 59% of the equity interest of Nuomi, which operated our group-buy business.

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

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

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

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

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

Net Revenues

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

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

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

Our Renren segment

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

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

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

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

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

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

- the number of users who visit the mobile and PC versions of our social networking internet platform, and the amount of time as well as the page views spent on the mobile and PC versions of our platform;
- acceptance by advertisers of online advertising in general and real name social networking services in particular as an effective marketing channel;
- the size of total online advertising budgets of advertisers for both mobile and PC solutions;
- our ability to retain existing advertisers and attract new advertisers;
- the level of competition among companies providing social networking, social messaging and social media services;
- our ability to continue providing innovative advertising solutions that enable advertisers to reach their target audiences;
- reports by third party internet traffic tracking service providers in China, such as iResearch;
- the state of the PRC and global economy; and
- government regulations or policies affecting the internet and the SNS and online advertising businesses.

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

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

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

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

Our internet finance segment

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

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

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

Cost of Revenues

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

	Years ended December 31,					
	2013		2014		2015	
	(in thousands of US$, except for percentages)					
	US$	%	US$	%	US$	%
Cost of revenues:						
Renren segment:						
Bandwidth and co-location costs	$ 13,493	21.1%	$ 10,184	21.8%	6,754	16.4%
Salaries and benefits	1,793	2.8%	2,557	5.5%	526	1.3%
Direct advertisement costs	691	1.1%	1,391	3.0%	1,436	3.5%
Commission costs	7,799	12.2%	11,274	24.2%	15,697	38.2%
Other expenses	9,194	14.4%	9,157	19.6%	5,319	12.9%
Sub-total	32,970	51.6%	34,563	74.1%	29,732	72.3%
Internet finance segment:						
Bandwidth and co-location costs	$ —	—	$ 15	0.0%	122	0.3%
Salaries and benefits	—	—	29	0.1%	422	1.0%
Provision of financing receivable	—	—	—	—	3,632	8.8%
Internet finance related costs	—	—	36	0.1%	2,573	6.3%
Other expenses	—	—	20	0.0%	239	0.6%
Sub-total	—	—	100	0.2%	6,988	17.0%
Total cost of revenues	$ 32,970	51.6%	$ 34,663	74.3%	36,720	89.3%

Our Renren segment

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

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

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

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

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

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

Our internet finance segment

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

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

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

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

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

Operating Expenses

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

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

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

Selling and marketing expenses

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

Research and development expenses

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

General and administrative expenses

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

Impairment of goodwill

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

Taxation

Cayman Islands

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

PRC

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

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

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

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

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

Discontinued Operations

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

Critical Accounting Policies

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

Revenue Recognition

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

Online advertising

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

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

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

Online talent show revenue ("Woxiu")

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

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

Internet finance services

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

- Financing for installment sales to college students

We provide financing services to college students on installment sales, through which students can purchase products online on Renren Fenqi or from other third-party online merchants through the Renren Fenqi platform and make payments on a monthly basis in 1 to 24 installments. We charge fees earned on the financing. For products purchased by students from other third party online merchants, products are sold directly by those merchants. We do not purchase inventory and are not responsible for providing any services or warranties to the student once sales are made. We are acting as an agent and thus, record the related financing fees ratably over the life of the underlying financing. For products purchased by students from Renren Fenqi, we purchase the related goods from suppliers and have determined that we are merely acting as an agent facilitating the transactions between the students and sellers. Specifically, we are not responsible for providing any post-sale support to the students and are not able to make any changes to the product. As such, revenue related to the product sales is recorded net of the related cost and we record the related financing fees charged to the students ratably over the life of the underlying financing.

- Used car financing

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

- Other financing

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

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

Online games

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

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

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

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

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

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

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

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

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

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

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

Social commerce

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

Goodwill and Intangible Assets

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

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

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

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

	Renren (in millions of US$ except for percentages)
Estimated fair value of total equity	(109.6)
Carrying value	(65.8)
Amount of goodwill allocated to the reporting unit	13.7

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

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

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

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

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

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

Share-based Compensation

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

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

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

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

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

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

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

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

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

Income Taxes

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

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

U.S. GAAP requires that an entity recognize the impact of an uncertain income tax position on the income tax return at the largest amount that is more likely than not to be sustained upon audit by the relevant tax authority. If we ultimately determine that payment of these liabilities will be unnecessary, we will reverse the liability and recognize a tax benefit during that period. Conversely, we record additional tax charges in a period in which we determine that a recorded tax liability is less than the expected ultimate assessment. We recorded no unrecognized tax benefits during the years ended December 31, 2013, 2014 and 2015.

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

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

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

Consolidation of variable interest entity

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

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

Short-term investments

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

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

Long-term investments

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

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

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

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

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

Accounts and notes receivables and allowance for doubtful accounts

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

Financing receivable

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

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

Allowance for financing receivable

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

Nonaccrual financing receivable

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

Transfer of financial instruments

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

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

Accounting Pronouncements Newly Adopted

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

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

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

Recent Accounting Pronouncements Not Yet Adopted

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

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

- Step 1: Identify the contract (s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

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

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

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

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

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

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

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

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

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

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the guidance is permitted. In transition, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We are currently evaluating the impact on our consolidated financial statements of adopting this guidance.

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

Results of Operations

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

	Year ended December 31,		
	2013	2014	2015
	(in thousands of US$)		
Net revenues:			
Renren segment:			
Online advertising	$ 41,575	$ 26,894	$ 9,720
Other IVAS	22,475	19,747	22,787
Renren segment	64,050	46,641	32,507
Internet finance segment	—	27	8,604
Total net revenues	64,050	46,668	41,111
Cost of revenues	32,970	34,663	36,720
Gross profit	31,080	12,005	4,391
Operating expenses:			
Selling and marketing	43,166	34,593	30,502
Research and development	54,716	42,697	32,392
General and administrative	38,021	48,764	46,803
Impairment of goodwill	—	46,864	—
Total operating expenses	135,903	172,918	109,697
Loss from operations	104,823	160,913	105,306
Other income (expenses)	979	(1,352)	(6,884)
Exchange gain (loss) on offshore bank accounts	1,476	(2,277)	(174)
Interest income	12,769	12,569	2,190
Interest expense	—	—	(2,041)
Realized gain (loss) on short-term investments	56,022	139,265	(98,112)
Impairment of short-term investments	(2,098)	—	—
Impairment of equity method investments	(23,025)	—	(4,258)
Loss before provision of income tax and earnings (loss) in equity method investments and noncontrolling interest, net of income taxes	(58,700)	(12,708)	(214,585)
Income tax benefit (expenses)	3,959	(6,517)	(3,124)
Loss before earnings (loss) in equity method investment, net of income taxes	(54,741)	(19,225)	(217,709)
Earnings (loss) in equity method investment, net of income taxes	20,317	49,015	(5,468)
Income (loss) from continuing operations	(34,424)	29,790	(223,177)
Discontinued operations:			
Income (loss) from the operations of the discontinued operations, net of income taxes	(34,600)	(27,194)	1,520
Gain on deconsolidation of the subsidiaries, net of income taxes	132,665	489	—
Gain on disposal of equity method investment, net of income taxes	—	56,993	—
Income (loss) on discontinued operations, net of income taxes	98,065	30,288	1,520
Net income (loss)	63,641	60,078	(221,657)
Net loss attributable to the noncontrolling interest	92	382	1,529
Net income (loss) from continuing operations attributable to Renren Inc.	(34,332)	30,172	(221,648)
Net income (loss) from discontinued operations attributable to Renren Inc.	98,065	30,288	1,520
Net income (loss) attributable to Renren Inc.	$ 63,733	$ 60,460	$ (220,128)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- *Renren segment*. Our Renren segment's net revenues decreased by 27.2% from US$64.1 million in 2013 to US$46.6 million in 2014. The decrease in our Renren segment's net revenues was primarily due to the decrease in its online advertising revenue, and to a lesser extent, the decrease in its IVAS revenue. Online advertising revenues decreased by 35.3% from US$41.6 million in 2013 to US$26.9 million in 2014. The continuing migration of our traffic from PC to mobile has caused the vast majority of our Renren users' time on our SNS service to be spent on mobile, which we did not begin monetizing through advertising until towards the end of 2013. Further, Chinese advertisers have, to date, spent considerably less money advertising on mobile devices as compared to advertising on personal computers due to the limited screen size of mobile devices and the under-developed measurement and tracking services for mobile advertising. This shift of user traffic, coupled with intensifying competition, has had an adverse impact on our online advertising revenues. The number of our monthly unique log-in users increased slightly from 45 million in December 2013 to 46 million in December 2014 but the average amount of time that unique log-in users spent on our platform decreased from approximately 7.7 hours in 2013 to approximately 4.0 hours in 2014. The number of our brand advertisers decreased from 189 in 2013 to 139 in 2014, and the average annual spending by our brand advertisers decreased from approximately US$193,000 in 2013 to approximately US$179,000 in 2014. Our Renren segment's IVAS revenues decreased by 12.1% from US$22.5 million in 2013 to US$19.7 million in 2014, primarily due to the decrease in VIP memberships and third-party application developer revenues on *renren.com*.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Discussion of Segment Operations

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

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

	Year ended December 31, 2013		
	Renren	Internet finance	Total
Net revenues	$ 64,050	$ —	$ 64,050
Cost of revenues	(32,970)	—	(32,970)
Operating expenses	(135,903)	—	(135,903)
Operating loss	(104,823)	—	(104,823)
Net loss from continuing operations	(34,424)	—	(34,424)
Net income from discontinued operations	98,065	—	98,065
Net income (loss)	63,641	—	63,641

	Year ended December 31, 2014		
	Renren	Internet finance	Total
Net revenues	$ 46,641	$ 27	$ 46,668
Cost of revenues	(34,563)	(100)	(34,663)
Operating expenses	(171,246)	(1,672)	(172,918)
Operating (loss) income	(159,168)	(1,745)	(160,913)
Net income (loss) from continuing operations	31,535	(1,745)	29,790
Net income from discontinued operations	30,288	-	30,288
Net income (loss)	61,823	(1,745)	60,078

	Year ended December 31, 2015		
	Renren	Internet finance	Total
Net revenues	$ 32,507	$ 8,604	$ 41,111
Cost of revenues	(29,732)	(6,988)	(36,720)
Operating expenses	(87,331)	(22,366)	(109,697)
Operating (loss) income	(84,556)	(20,750)	(105,306)
Net (loss) income from continuing operations	(202,427)	(20,750)	(223,177)
Net loss from discontinued operations	1,520	—	1,520
Net (loss) income	(200,907)	(20,750)	(221,657)

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

B. Liquidity and Capital Resources

Cash Flows and Working Capital

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

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

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

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

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

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

Operating Activities

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

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

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

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

Investing Activities

Net cash used in investing activities amounted to US$249.0 million in 2015, due mainly to cash paid for purchases of long-term investments of US$538.1 million, cash paid to customers in our internet finance business of US$289.0 million and purchases of short-term investments of US$199.2 million, partially offset by a net withdrawal in term deposits of US$493.5 million, proceeds from sales of short-term investments of US$129.1 million, repayment from customers in our internet finance business of US$126.5 million and capital distributions received from equity method investees of US$60.3 million.

Net cash provided by investing activities amounted to US$109.2 million in 2014, due mainly to proceeds from sales of short-term investments of US$496.4 million, capital distribution received from equity method investees of US$74.7 million, proceeds from disposal of equity method investment of US$46.5 million, partially offset by cash paid for purchase of short-term investments of US$247.9 million and cash paid for purchase of long-term investments of US$244.7 million.

Net cash provided by investing activities amounted to US$20.1 million in 2013, due mainly to a net withdrawal in term deposits of US$58.2 million, proceeds from sales of short-term investments of US$119.9 million, partially offset by US$88.7 million in purchase of short-term investments. Moreover, in 2013 we have also invested an additional US$20.0 million in our equity method investment, Japan Macro Fund, and paid US$29.1 million for purchase of equipment and property.

Financing Activities

Net cash provided in financing activities was US$180.4 million in 2015, due mainly to proceeds from investors in our internet finance business of US$174.5 million and proceeds from debt borrowings (net of restricted cash) of US$138.0 million, partially offset by US$125.0 million of principal repayment to investors in our internet finance business and US$10.3 million used to repurchase our ordinary shares.

Net cash used in financing activities was US$134.8 million in 2014, primarily attributable to US$76.5 million used to repurchase our ordinary shares and repaid a promissory note issued to Nuomi of US$60.9 million, partially offset by US$2.5 million in proceeds from the exercise of share options.

Net cash used in financing activities was US$1.0 million in 2013, primarily attributable to US$55.6 million used to repurchase our ordinary shares and US$10.9 million deposits paid for share repurchase, offset substantially by US$60.9 million in proceeds from a promissory note issued to Nuomi, which is interest free, without fixed repayment schedule and due in October 2023.

Holding Company Structure

Overview

We are a holding company with no material operations of our own. We conduct our operations in China principally through a set of contractual arrangements between our wholly owned PRC subsidiary, Qianxiang Shiji, its consolidated affiliated entity, Qianxiang Tiancheng, and Qianxiang Tiancheng's shareholders. See "Item 4.C—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities" for a summary of these contractual arrangements. For each of the three years ended December 31, 2015, revenues from our consolidated affiliated entities constituted substantially all of our total consolidated net revenues.

Conducting our operations through contractual arrangements with our consolidated affiliated entities in China entails a risk that we may lose effective control over our consolidated affiliated entities, which may result in our being unable to consolidate their financial results with our results and may impair our access to their cash flow from operations and thereby reduce our liquidity. See “Item 3.D—Risk Factors—Risks Related to Our Corporate Structure and the Regulation of our Business” for more information, including the risk factors titled “If the PRC government finds that the agreements that establish the structure for operating our services in China do not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations” and “We rely on contractual arrangements with consolidated affiliated entities for our China operations, which may not be as effective in providing operational control as direct ownership. Any failure by our affiliated entities or their respective shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business and financial condition.”

Dividend Distributions

As a holding company, our ability to pay dividends and other cash distributions to our shareholders depends primarily upon dividends and other distributions paid to us by our PRC subsidiaries. The amount of dividends paid by each of our PRC subsidiaries to us depends solely on the service and license fees paid to each of our PRC subsidiaries by the consolidated affiliated entity with which it has contractual arrangements.

Under PRC law, all of our PRC subsidiaries and consolidated affiliated entities in China are required to set aside at least 10% of their respective after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of their respective registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. Our PRC subsidiaries are permitted to pay dividends to us only out of their respective retained earnings, if any, as determined in accordance with PRC accounting standards and regulations.

After Qianxiang Wangjing and Qianxiang Changda make appropriations for their respective statutory reserves and retain any profits, each of their remaining net profits are distributable to their sole shareholder, Qianxiang Tiancheng, in the form of an RMB dividend. Pursuant to the contractual arrangements between Qianxiang Tiancheng and Qianxiang Shiji, Qianxiang Tiancheng’s earnings and cash (including dividends received from its subsidiaries) are used to pay service and license fees in RMB to Qianxiang Shiji, in the manner and amount set forth in these agreements. After paying the withholding taxes applicable to Qianxiang Shiji’s revenues and earnings, making appropriations for its statutory reserve requirements and retaining any profits from accumulated profits, the remaining net profits of Qianxiang Shiji would be available for distribution to us through the respective offshore holding companies through which we own Qianxiang Shiji, although we have not, and do not have, any present plan to make such distributions. As of December 31, 2015, the net assets of Qianxiang Shiji and our consolidated affiliated entities which were restricted due to statutory reserve requirements and other applicable laws and regulations, and thus not available for distribution, was in aggregate US$350.8 million. We do not believe that these restrictions on the distribution of our net assets will have a significant impact on our ability to timely meet our financial obligations in the future. See “Item 3.D—Risk Factors—Risks Related to Our Corporate Structure and the Regulation of our Business—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business” and “Item 3.D—Risk Factors—Risks Related to Doing Business in China—Our global income and the dividends that we may receive from our PRC subsidiary, dividends distributed to our non-PRC shareholders and ADS holders, and gain recognized by such shareholders or ADS holders, may be subject to PRC taxes under the Enterprise Income Tax Law, which would have a material adverse effect on our results of operations” for more information.

Furthermore, cash transfers from our PRC subsidiaries to our subsidiaries outside of China are subject to PRC government control of currency conversion. Restrictions on the availability of foreign currency may affect the ability of our PRC subsidiaries and our consolidated affiliated entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. See “Item 3.D—Risk Factors—Risks Related to Doing Business in China—Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.”

Capital Expenditures

We made capital expenditures of US$30.4 million, US$9.6 million and US$1.2 million in 2013, 2014 and 2015, respectively. In the past, our capital expenditures were primarily used to purchase servers and other equipment for our business, and purchase of real estate. In 2012, we purchased an office building in Shanghai for RMB201.1 million (US$32.1 million), of which RMB100.6 million (US$16.3 million) was paid in 2013. In 2014, our capital expenditures included purchases of computer servers and equipment of US$8.0 million and purchases of license rights of online games of US$1.6 million. In 2015, our capital expenditures included purchases of computer servers and equipment of US$0.8 million and purchases of license rights of online games of US$0.4 million. We expect to incur capital expenditures of up to approximately US$1.0 million in 2016, which will be primarily used to purchase additional servers and computers and expand our network infrastructure to support the growth of our business.

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

Research and Development

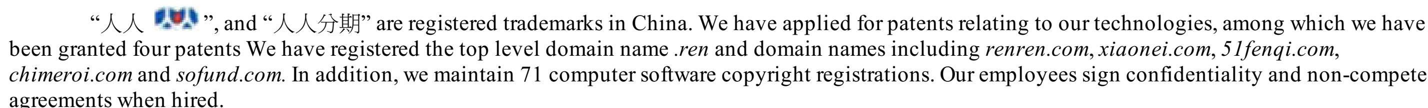
Our research and development efforts focus on developing and improving the scalability, features and functions of each of our websites, services and applications, especially mobile applications. We have a large team of engineers and developers, which accounted for 36% of our employees as of December 31, 2015. Most of our engineers and developers are based at our headquarters in Beijing.

As of December 31, 2015, the majority of our research and development personnel focused on the improvement and enhancement of our Renren SNS services for both mobile devices and personal computers, including communication-related features, user-generated content services, advertising and targeting solutions, as well as ensuring we are fully compatible with the latest mobile operating systems such as iOS, Android and Windows. Further, we continue to develop new products and services to meet with our needs of our user base, for example our internet finance initiative and other stand-alone mobile applications.

Our research and development expenses primarily include salaries and benefits for our research and development personnel and depreciation of related PC and servers. We incurred US$54.7 million, US$42.7 million and US$32.4 million of research and development expenses in 2013, 2014 and 2015, respectively.

Intellectual Property

Our intellectual property includes trademarks and trademark applications related to our brands and services, copyrights in software and games, trade secrets, patent applications and other intellectual property rights and licenses. We seek to protect our intellectual property assets and brand through a combination of monitoring and enforcement of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and procedures.



"人人 ", and "人人分期" are registered trademarks in China. We have applied for patents relating to our technologies, among which we have been granted four patents We have registered the top level domain name *.ren* and domain names including *renren.com*, *xiaonei.com*, *51fenqi.com*, *chimeroi.com* and *sofund.com*. In addition, we maintain 71 computer software copyright registrations. Our employees sign confidentiality and non-compete agreements when hired.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2015 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. From time to time we enter into derivative contracts, including derivatives that are solely for our own treasury investment purposes and not related to our business operating activities. As of the date of this annual report, we have a total of two swaption contracts on Japanese yen interest rates outstanding with expiration dates during the second quarter of 2016, for which we paid a total of US$6.7 million in premiums. Upon the maturity date of a swaption contract, if the prevailing rate for Japanese yen interest rate swaps is higher than the strike rate of the contract, then we will have the right to enter into an underlying swap and immediately receive an amount with reference to the discounted cash flows of the underlying swap as settlement of the contract; otherwise, the contract will expire unexercised and we will lose the premium paid for the contract. We mark our derivatives positions to market each quarter and gains and losses are reflected in our results of operations. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations including interest payment, if applicable, as of December 31, 2015:

	Payment Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
	(in thousands of US$)				
Operating lease obligations [1]	$ 22,480	$ 8,514	$ 13,966	—	—
Unconditional investment obligations [2]	$ 24,865	$ 24,865	—	—	—
Loan obligations[3]	$ 273,779	$ 114,488	$ 159,291	—	—
TOTAL	$ 321,124	$ 147,867	$ 173,257	—	—

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

(2) In 2015, we entered into an agreement promising to purchase equity interest issued by a certain investee in 2016.

(3) In 2015, we entered into four loan agreements including two short term borrowing for a total of US$106 million. Balances include future principal and interest payments related to those agreements. Actual interest payments may differ. In January 2016, we early repaid US$23.6 million of one of our loan balances. Refer to footnote 12 of the consolidated financial statements for details.

G. Safe Harbor

See "Forward-Looking Statements" on page 1 of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

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

Directors and Executive Officers	Age	Position/Title
Joseph Chen	46	Chairman, Chief Executive Officer
James Jian Liu	43	Director, Chief Operating Officer
Hui Huang	43	Director
David K. Chao	49	Independent Director
Shinzo Nakano	50	Independent Director
Chuanfu Wang	50	Independent Director

Directors and Executive Officers	Age	Position/Title
Thomas Jintao Ren	37	Chief Financial Officer
Lillian Liu	51	Senior Vice President for HR
Miao Cao	37	Chief Marketing Officer
He Li	33	Vice President for Renren SNS

Joseph Chen is the founder of our company. Mr. Chen has served as the chairman of our board of directors and chief executive officer of our company since our inception. Mr. Chen is a pioneer of China's internet industry. Before founding our company, Mr. Chen was the co-founder, chairman and chief executive officer of ChinaRen.com, a first-generation SNS in China and one of China's most visited websites in 1999. He served as senior vice president for Sohu.com after ChinaRen.com was acquired by Sohu.com in 2000. Mr. Chen holds a bachelor's degree in physics from the University of Delaware, a master's degree in engineering from the Massachusetts Institute of Technology, and a M.B.A. degree from Stanford University.

James Jian Liu has served as our director since January 2008 and chief operating officer since February 2006. Mr. Liu is also acting as our interim Vice President for Games. Before joining our company, he was the co-founder and chief executive officer of UUMe.com, one of the earliest social networking service websites in China. He served as product management director at Fortinet in its early years and held a senior product manager role at Siebel Systems. Mr. Liu started his career as a management consultant with the Boston Consulting Group in China. Mr. Liu holds a bachelor's degree in computer science from Shanghai Jiao Tong University and a M.B.A. degree from Stanford University, where he was an Arjay Miller Scholar.

Hui Huang has served as our director since January 2015. Ms. Huang served as the chief financial officer of our company from March 2010 to December 2014. From 2007 to February 2010, Ms. Huang was the chief financial officer and director of Cathay Industrial Biotech Ltd. From 2003 to 2007, she was an executive director and Shanghai chief representative of Johnson Electric Capital Limited. From 2000 to 2003, she was an associate of Goldman Sachs (Asia) L.L.C. in its principal investment area and executive office. From 1994 to 1998, she was an associate with the Boston Consulting Group. Ms. Huang received a bachelor's degree in industrial foreign trade from Shanghai Jiaotong University in 1994, and received a M.B.A. degree from the Wharton School of the University of Pennsylvania in 2000.

David K. Chao has served as a director of our company since March 2006. Mr. Chao is a co-founder and general partner of DCM Ventures, an early stage technology venture capital firm that manages over US$2.5 billion of fund assets. Prior to joining DCM Ventures, Mr. Chao was a co-founder of Japan Communications, Inc., a public company that provides mobile data and voice communications services in Japan. He also worked as a management consultant at McKinsey & Company in San Francisco. Prior to that, Mr. Chao worked in marketing and product management at Apple Computer and was an account executive for Recruit Co., Ltd. Mr. Chao currently serves on the boards of directors of 51job, Inc. and numerous DCM Ventures' portfolio companies. He is a management board director of the Stanford Graduate School of Business Board of Trustees, and also serves on the advisory board of Legend Capital and is a trustee at the Thacher School. Mr. Chao received a bachelor's degree in economics and East Asian studies with high honors from Brown University and a M.B.A. degree from Stanford University.

Shinzo Nakano has served as a director of our company since January 2016. Mr. Nakano has been the president, chief executive officer and a partner at Itochu Technology Ventures, Inc. since April 2015. Mr. Nakano joined Itochu Corporation, one of the largest trading firms in Japan in 1989. During his 26-year-tenure at Itochu Corporation, Mr. Nakano held senior positions in system development, sales and marketing of computer products, Internet business development, and venture investment at Itochu Corporation and its various subsidiaries. Mr. Nakano received his bachelor's degree in law from Keio University in Tokyo, Japan in 1989.

Chuanfu Wang has served as a director of our company since May 2012. Mr. Wang is the Chairman of the Board and President of BYD Company Limited. He has been BYD's Executive Director since June 2002, in charge of BYD's general operations and overall strategies. Mr. Wang founded Shenzhen BYD Battery Company Limited (now BYD Company Limited) in February 1995. Before that he served as the Deputy Director of the Beijing General Research Institute for Nonferrous Metals from 1990 to 1995. Mr. Wang has received many awards, prizes and recognitions, such as Hong Kong's Bauhinia Cup Outstanding Entrepreneur Award in 2000 and BusinessWeek's "Stars of Asia" in 2003, among others. In addition, Mr. Wang was elected as a representative in the Shenzhen People's Congress in March 2000, a member of the Fourth Shenzhen Municipal People's Congress Standing Committee in May 2005, and a member of the Fifth Shenzhen Municipal People's Congress Standing Committee in 2010. Mr. Wang graduated from the Central South University of Technology (now Central South University) in 1987, majoring in Physical Chemistry of Metallurgy. He received his Master's degree in Physical Chemistry of Metallurgy at Beijing General Research Institute for Nonferrous Metals in 1990.

Thomas Jintao Ren has served as the chief financial officer of our company since September 2015. Prior to rejoining our company, Mr. Ren was the chief financial officer at Chukong Technologies. Mr. Ren was previously at Renren between 2005 and 2013, where he served as our senior finance director. Prior to that, Mr. Ren had worked at KPMG for five years. Mr. Ren holds a bachelor's degree in economics from Renmin University of China. He is a certified public accountant in China and the United States.

Lillian Liu has served as a senior vice president for our company in charge of human resources since September 2012. Prior to joining our company, Ms. Liu served as the human resource director of Nokia from 2004 to 2012 and the human resource director of HP/Compaq Computer from 1999 to 2004. She also worked as a human resource manager at Nortel Networks from 1994 to 1999. Ms. Liu received a bachelor's degree in English from the Beijing Foreign Studies University in 1989 and received a M.B.A. degree from City University U.S. in 1999.

Miao Cao has served as chief marketing officer of sales of our company since October 2014. He joined our company in 2004 and was promoted to the vice president for sales in September 2013. Prior to joining our company, Mr. Cao worked at Shun Tak Holding Limited, a company listed on the Hong Kong Stock Exchange, and Clevo Co., a company listed on the Taiwan Stock Exchange. Mr. Cao received a bachelor's degree in Economics from the Shanghai University of International Business and Economics in 1999.

He Li has served as vice president of our company since 2014 and is now in charge of Renren SNS. Mr. Li joined our company in 2011 and has since held various positions in research and development. Mr. Li received a bachelor's degree in Computer Science and a master's degree in Software Science Theory from Peking University.

B. Compensation

For the year ended December 31, 2015, we paid an aggregate of approximately US$1.4 million in cash to our executive officers and non-executive directors. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, housing fund, unemployment and other statutory benefits. In 2015, our PRC subsidiaries accrued in aggregate US$67 thousand worth of such benefits for our executive officers.

For the year ended December 31, 2015, we granted a total of 1,470,000 restricted Class A ordinary shares to our executive officers and non-executive directors, and we recorded US$0.5 million in share-based compensation expense for these grants. For more information, see "Item 6.B. Directors, Senior Management and Employees—Compensation—Equity Incentive Plans".

Equity Incentive Plans

Since February 27, 2006, we have adopted five equity incentive plans for Renren Inc. to motivate, retain and attract the best personnel and promote the success of our business. The four plans adopted by Renren Inc. were the 2006 Equity Incentive Plan, the 2008 Equity Incentive Plan, the 2009 Equity Incentive Plan, the 2011 Share Incentive Plan (as amended) and the 2016 Share Incentive Plan. We refer to these collectively as the Plans. As of February 29, 2016, options to purchase 2,823,883 ordinary shares were outstanding under the 2006 Equity Incentive Plan, options to purchase 720,001 ordinary shares were outstanding under the 2008 Equity Incentive Plan, options to purchase 4,111,624 ordinary shares were outstanding under the 2009 Equity Incentive Plan, 8,074,293 restricted share units and options to purchase 100,902,072 ordinary shares were outstanding under the 2011 Share Incentive Plan (as amended), and 10,498,392 restricted share units and options to purchase 39,752,430 ordinary shares were outstanding under the 2016 Share Incentive Plan.

The following table summarizes the outstanding share options granted to certain of our directors, executive officers and other individuals under the Plans as of February 29, 2016.

Name	Number of Ordinary Shares Underlying Outstanding Options (1)	Exercise Price (US$/Share) (1)	Grant Date	Expiration Date
Joseph Chen	16,800,000	0.873	April 5, 2012	April 4, 2022
	3,150,000	0.873	March 22, 2013	March 21, 2023
	25,946,844	0.873	May 19, 2014	May 18, 2024
	25,946,847	0.873	May 19, 2014	May 18, 2024
	39,752,430	1.227	January 15,2016	January 14,2025
James Jian Liu	*	0.873	April 5, 2012	April 4, 2022
	*	0.873	March 22, 2013	March 21, 2023
	*	0.873	May 19, 2014	May 18, 2024
	*	0.873	May 19, 2014	May 18, 2024
Hui Huang	*	0.873	April 5, 2012	April 4, 2022
	*	0.873	March 22, 2013	March 21, 2023
David K. Chao	*	0.873	April 5, 2012	April 4, 2022
	*	0.873	March 22, 2013	March 21, 2023
Chuanfu Wang	*	0.873	June 14, 2012	June 13, 2022
	*	0.873	March 22, 2013	March 21, 2023
Lillian Liu	*	0.873	December 28, 2012	December 27, 2022
	*	0.873	March 22, 2013	March 21, 2023
Miao Cao	*	0.18	March 2, 2006	March 1, 2016
	*	0.18	October 9, 2007	October 8, 2017
	*	0.18	January 31, 2008	January 31, 2018
	*	0.18	October 15, 2009	October 14, 2019
	*	0.873	January 4, 2011	January 3, 2021
	*	0.873	August 30, 2013	August 29, 2023
He Li	*	0.873	April 18, 2011	April 17, 2021
	*	0.873	December 28, 2011	December 27, 2021
	*	0.873	December 28, 2012	December 27, 2022
	*	0.873	May 17, 2013	May 16, 2023
	*	0.873	December 2, 2013	December 1, 2023
Other individuals as a group	9,428,889	(2)	(2)	(3)

* The aggregate beneficial ownership of our company held by the named grantee is less than 1% of our total outstanding shares.

(1) The number of share options granted and exercise prices in this table, including footnote 2, gives effect to the ten-for-one share split that became effective on March 25, 2011.

On December 28, 2012, we modified the exercise price of the outstanding share options previously granted that had exercise prices of US$4.00 per ADS or higher, reducing them uniformly to US$3.30 per ADS ($1.10 per ordinary share), which was the closing price of our ADS on the modification date. Options exercisable for a total of 27,480,309 ordinary shares were modified. The total incremental cost as a result of the modification was US$4.3 million, of which US$0.9 million, US$1.1 million, US$1.1 million and US$0.9 million was recognized as share-based compensation expense in 2012, 2013 , 2014 and 2015 respectively, and the remaining balance will be amortized over the expected requisite service period.

On December 29, 2014, we modified the exercise price of the outstanding share options previously granted that had exercise price higher than US$0.873 per ordinary share, reducing them uniformly to US$0.873 per share, which was the average closing price during the period from December 8, 2014 through December 19, 2014, when the repricing was being discussed. Options exercisable for a total of 107,197,908 ordinary shares were modified. The total incremental cost as a result of the modification was US$6.4 million, of which US$5.2 million was recognized as share-based compensation expense in 2014 and 2015 and the remaining balance will be amortized over the expected requisite service period.

On December 23, 2015, we waived the award condition with respect to the options granted on May19, 2014, Options exercisable for a total of 34,796,844 ordinary shares were modified. The total incremental cost as a result of the modification was US$10.9 million, of which US$4.4 million was recognized as share-based compensation expense in 2015 and the remaining balance will be amortized over the expected requisite service period.

(2) We granted share options to other individuals on the following dates and at the following exercise prices: (i) on March 2, 2006, 1,079,400 options with an exercise price of US$0.001 per share; (ii) on March 2, 2006, 10,204,000 options and on October 9, 2007, 800,000 options, each with an exercise price of US$0.08 per share; (iii) on March 2, 2006, 4,568,670 options and on October 21, 2010, 179,450 options, each with an exercise price of US$0.10 per share; (iv) on March 2, 2006, 18,046,960 options, on October 9, 2007,22,142,00 options, on January 31, 2008, 14,809,500 options, on October 15, 2009, 18,644,000 options, on March 10, 2010, 300,000 options, on June 1, 2010, 490,000 options and on October 21, 2010, 11,180 options, each with an exercise price of US$0.18 per share; (v) on March 2, 2006, 1,243,880 options with an exercise price of US$0.20 per share; (vi) on October 9, 2007, 100,000 options with an exercise price of US$0.26 per share; (vii) on October 9, 2007, 300,000 options with an exercise price of US$0.28 per share; (viii) on October 9, 2007, 100,000 options with an exercise price of US$0.30 per share; (ix) on October 9, 2007, 925,000 options with an exercise price of US$0.35 per share; (x) on October 9, 2007, 220,000 options with an exercise price of US$0.38 per share; (xi) on January 4, 2011, 12,068,500 options, on April 18, 2011, 3,296,500 options, on September 23, 2011, 519,000 options, on December 28, 2011, 1,621,107 options, on April 5, 2012, 1,881,500 options, on April 30, 2012, 300,000 options, on December 28, 2012, 3,167,400 options, on March 22, 2013,4,587,000 options, on May 17, 2013, 2,862,000 options, on August 30, 2013, 450,000 options, on December 2, 2013, 2,707,500 options, each with an exercise price of US$0.873 per share. As of February 29, 2016, 118,195,158 options had been forfeited, cancelled or exercised. .

(3) Each option will expire after ten years from the grant date or such shorter period as the board of directors may determine at the time of its grant.

The following table summarizes the outstanding restricted share units granted to our executive officers and certain other individuals as of February 29, 2016 under the Plans adopted by Renren Inc.:

Name	Number of Ordinary Shares Underlying Restricted Share Units Outstanding	Grant Date
Joseph Chen	9,029,637	January 15, 2016
Hui Huang	*	May 19, 2014
Hui Huang	*	January 1, 2015
David K. Chao	*	May 19, 2014
David K. Chao	*	April 15, 2015
Chuanfu Wang	*	May 19, 2014
Chuanfu Wang	*	April 15, 2015
Thomas Ren	*	September 30, 2015
Thomas Ren	*	February 1, 2016
Lillian Liu	*	May 19, 2014
Lillian Liu	*	April 15, 2015
Lillian Liu	*	February 1, 2016
Miao Cao	*	May 19, 2014
Miao Cao	*	October 17, 2014
Miao Cao	*	April 15, 2015
He Li	*	May 19, 2014
He Li	*	October 17, 2014
He Li	*	April 15, 2015
He Li	*	February 1, 2016
Certain individuals as a group	909,555	May 19, 2014
Certain individuals as a group	211,350	October 17, 2014
Certain individuals as a group	2,190,612	May 15, 2015
Certain individuals as a group	18,024	June 15, 2015
Certain individuals as a group	102,000	September 30, 2015
Certain individuals as a group	44,004	November 1, 2015
Certain individuals as a group	2,504,430	February 1, 2016

* The aggregate beneficial ownership of our company held by the named grantee is less than 1% of our total outstanding shares.

Principal Terms of 2006, 2008 and 2009 Equity Incentive Plans adopted by Renren Inc.

The principal terms of the 2006 Equity Incentive Plan, the 2008 Equity Incentive Plan and the 2009 Equity Incentive Plan are substantially the same. The following paragraphs summarize the principal terms of these three plans and, unless otherwise specified below, the following summary applies to each of these plans.

Types of Awards and Exercise Prices. Three types of awards may be granted under the plans.

- *Incentive share options*. Incentive share options are share options which satisfy the requirements of Section 422 of the Internal Revenue Code of 1986. The exercise price of an incentive share option must be at least equal to the fair market value of the shares on the date of grant. If an employee, officer or director owns or is deemed to own more than 10% of the combined voting power of all classes of shares and an incentive share option is granted to such person, the exercise price for such incentive share option shall be at least 110% of the fair market value of the shares on the date of grant.

- *Nonqualified share options*. Nonqualified share options are share options which do not satisfy the requirements of Section 422 of the Internal Revenue Code of 1986. The exercise price of a nonqualified share option may be less than, equal to or greater than the fair market value of the shares on the date of grant.

- *Restricted share options*. Restricted share options are options to purchases ordinary shares which are subject to certain restrictions or limitations set forth in the plans or in the related award agreement, 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 during a restricted period. The exercise price of restricted share options may be determined by the plan administrator in the award agreement.

Plan Administration. The plan administrator is our board of directors or a committee of two or more members of our board. The plan administrator designates the eligible recipients and determines the award type, award period, grant date, performance requirements and such other provisions and terms not inconsistent with the plans in each award agreement.

Award Agreement. Incentive share options, nonqualified share options or restricted share options granted under the plans are evidenced by an award agreement that sets forth the terms, provisions, limitations and performance requirements for each grant.

Eligibility. At the discretion of the board of directors, we may grant awards to employees, officers, directors, outside directors or consultants of our company.

Transfer Restriction. Subject to certain exceptions, awards for incentive share options, nonqualified share options and restricted share options may not be transferred, assigned, pledged, hypothecated or otherwise conveyed or encumbered by the award holders.

Term of Awards. Unless otherwise provided in the award agreement by the plan administrator, each option shall expire after ten years from the grant date. If an employee, officer or director owns or is deemed to own more than 10% of the combined voting power of all classes of shares and an incentive share option is granted to such person, such incentive share option shall expire after five years from the grant date.

Vesting Schedule. The plan administrator may determine the vesting schedule and may provide additional vesting conditions in the award agreement to each recipient.

Amendment and Termination. The 2006 Equity Incentive Plan and the 2008 Equity Incentive Plan were terminated on September 15, 2013. Unless earlier terminated by the board or directors, the 2009 Equity Incentive Plan will terminate on December 31, 2019. In each case, grants made before the termination date will continue to be effective in accordance with their terms and conditions. Our board of directors may at any time by resolutions amend the 2009 Equity Incentive Plan, subject to certain exceptions.

Principal Terms of the 2011 and 2016 Share Incentive Plan adopted by Renren Inc.

The principal terms of the 2011 Share Incentive Plan (as amended) and the 2016 Share Incentive Plan are substantially the same. The following paragraphs summarize the principal terms of these two plans and, unless otherwise specified below, the following summary applies to each of these plans.

Types of Awards and Exercise Prices. The plans permit the grant of options to purchase our Class A ordinary shares, restricted shares and restricted share units as deemed appropriate by the plan administrator.

- *Options*. Options provide for the right to purchase a specified number of our Class A ordinary shares at a specified price and usually will become exercisable in the discretion of the plan administrator in one or more installments after the grant date. Options include incentive share options, which are share options which satisfy the requirements of Section 422 of the Internal Revenue Code of 1986, and non-qualified share options, which do not satisfy these requirements. The exercise price of an option shall be determined by the plan administrator and set forth in the award agreement.

- *Restricted Shares*. A restricted share award is the grant of our Class A ordinary shares which are subject to certain restrictions or limitations set forth in the plan or in the related award agreement. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us during a restricted period. The exercise price of restricted share options may be determined by the plan administrator in the award agreement.

- *Restricted Share Units*. Restricted share units represent the right to receive our Class A ordinary shares at a specified date in the future. On the maturity date specified by the plan administrator, we will transfer to the participant one unrestricted, fully transferable share for each restricted share unit.

Plan Administration. The plans will be administered by the board of directors or the compensation committee of the board, or a committee of one or more directors to whom the board or the compensation committee shall delegate the authority to grant or amend awards to participants other than senior executives. As to the 2011 Share Incentive Plan (as amended), the plan administrator shall consist of at least two individuals, each of whom qualifies as an independent director. With respect to the awards granted to independent directors, the plan administrator shall be the board of directors. The plan administrator will determine the terms and conditions of each award grant.

Awards and Award Agreement. Awards granted under the plans are 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 our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an award.

Eligibility. We may grant awards to our employees, directors and consultants, as determined by our plan administrator.

Term of the Awards. The term of each award grant shall be determined by our plan administrator, provided that the term shall not exceed ten years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines, or the award agreement specifies, the vesting schedule.

Transfer Restrictions. Except as otherwise provided by our plan administrator, an award may not be transferred or otherwise disposed of by a participant other than by will or the laws of descent and distribution. Our plan administrator by express provision in the award or an amendment may permit an award (other than an incentive share option) to be transferred to or exercised by certain persons related to the participant.

Amendment and Termination of the Plan. With the approval of our board, our plan administrator may at any time amend, modify or terminate the plan, subject to certain exceptions. Unless earlier terminated by the board of directors, the 2011 Share Incentive Plan (as amended) will expired on April 14, 2021 and the 2016 Share Incentive Plan will expire on January 15, 2026.

C. Board Practices

Composition of Board of Directors

Our board of directors currently consists of six directors. A director is not required to hold any shares in the company by way of qualification. A director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with our company must declare the nature of his interest at a meeting of the directors. Subject to the NYSE rules and disqualification by the chairman of the relevant board meeting, a director may vote in respect of any contract or transaction or proposed contract or transaction 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 the relevant board meeting at which such contract or transaction or proposed contract or transaction is considered. A director may exercise all the powers of the company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. None of our non-executive directors and independent director appointees has a service contract with us that provides for benefits upon termination of employment. As long as SB Pan Pacific Corporation and its affiliates continue to collectively hold over 50% of the number of our shares held by them as of May 9, 2011, they have the right to appoint one director to serve on our board of directors. Our board of directors currently does not contain a member appointed by SB Pan Pacific Corporation.

Code of Business Conduct and Ethics

Our code of business conduct and ethics provides that our directors and officers are expected to avoid any action, position or interest that conflicts with the interests of our company or gives the appearance of a conflict. Directors and officers have an obligation under our code of business conduct and ethics to advance our company's interests when the opportunity to do so arises.

Duties of Directors

Cayman Islands law does not prescribe by statute the specific duties of directors of Cayman Islands companies and therefore the duties of directors are dictated by common law. Our directors have certain duties of care, diligence and skill as well as a fiduciary duty to act honestly and in good faith in the best interests of our company. Our directors are not required to exhibit in the performance of their duties a greater degree of skill than may reasonably be expected from persons of their knowledge and experience. Our directors must exercise reasonable care and diligence but will not be liable for errors of judgment and therefore they may rely upon opinions and advice of outsiders but must still exercise their business judgment based upon such advice. The fiduciary relationship of our directors is with our company and our directors therefore do not usually owe a fiduciary duty to an individual shareholder, and instead, they owe a fiduciary duty to our shareholders as a whole. In addition, our directors have a duty to act in good faith, which means they must act bona fide in the interests of our company. Our directors must also use their powers for a proper purpose. If our directors take actions which are within their powers but for purposes other than those for which such powers were conferred, they may be personally liable. Our directors are also required not to put themselves into a position where there is a conflict, actual or potential, between their personal interests and their duties to our company or between their duty to our company and a duty owed to another person. Finally, our directors cannot validly contract, either with one another or with third parties, as to how they shall vote at future meetings of directors. In fulfilling their duty of care to us, our directors must ensure compliance with our amended and restated memorandum and articles of association. We have the right to seek damages if a duty owed by our directors is breached.

Terms of Directors and Executive Officers

Our officers are elected by and serve at the discretion of the board of directors. Our directors are not subject to a set term of office and hold office until the next general meeting called for the election of directors and until their successor is duly elected or such time as they die, resign or are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will cease to be a director automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found by our company to be or becomes of unsound mind; (iii) resigns his office by notice in writing to our company; or (iv) is removed from office pursuant to any other provision of our memorandum and articles of association.

Committees of the Board of Directors

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

Audit Committee. Our audit committee consists of Messrs. David Chao and Shinzo Nakano. Mr. Chao is the chairman of our audit committee and our board of directors has determined that Mr. Chao is an audit committee financial expert. Mr. Chao and Mr. Nakano satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE and Rule 10A-3 under the Exchange Act. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent 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 audit problems or difficulties and management's response;
- reviewing and approving any proposed related party transaction, as defined in Item 404 of Regulation S-K under the Securities Act, involving over US$120,000 in a single transaction or a series of related transactions;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal control and any special audit steps adopted in light of material control deficiencies; and
- meeting separately and periodically with management and the independent registered public accounting firm.

Compensation Committee. Our compensation committee consists of Messrs. Shinzo Nakano and David Chao. Mr. Nakano is the chairman of our compensation committee. Mr. Nakano and Mr. Chao satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer is prohibited from attending any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving the total compensation package for our chief executive officer;
- reviewing and recommending to the board the compensation of our directors; and
- reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

Corporate Governance and Nominating Committee. Our corporate governance and nominating committee consists of Messrs. David Chao and Chuanfu Wang, and is chaired by Mr. Chao. Mr. Chao and Mr. Chuanfu Wang satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the NYSE. The corporate governance and nominating committee assists the board of directors in identifying individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

- identifying and recommending to the board nominees for election or re-election to the board, or for appointment to fill any vacancy;
- reviewing annually with the board the composition of the board in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to the board the directors to serve as members of the board's committees;
- advising the board periodically with respect 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 corrective 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.

Employment Agreements

We have entered into employment agreements with each of our executive officers. We may terminate an executive officer's employment for cause, at any time, without notice or remuneration, for certain acts of the officer, including, but not limited to, a conviction or plea of guilty to a felony, willful misconduct to our detriment or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause by a one-month prior written notice. An executive officer may terminate his or her employment with us by a one-month prior written notice for certain reasons, in which case the executive officer is entitled to the same severance benefits as in the situation of termination by us without cause.

Our executive officers have also agreed not to engage in any activities that compete with us, or to directly or indirect solicit the services of our employees, for a period of one year after termination of employment. Each executive officer has agreed to hold in strict confidence any confidential information or trade secrets of our company. Each executive officer also agrees to comply with all material applicable laws and regulations related to his or her responsibilities at our company as well as all material corporate and business policies and procedures of our company.

D. Employees

We had 2,442, 1,602 and 1078 full-time employees as of December 31, 2013, 2014 and 2015, respectively. The following table sets forth the number of our employees by function as of December 31, 2015:

Functional Area	Number of Employees	% of Total
Management and administration	134	13%
Sales and marketing	508	47%
Operations	37	3%
Research & development	399	37%
Total	1078	100%

As of December 31, 2015, we had 552 employees located in Beijing and 526 employees located in other cities in China.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares (including Class A ordinary shares represented by our ADSs), as of February 29, 2016, by:

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

The calculations in the table below are based on 1,020,682,149 ordinary shares outstanding as of February 29, 2016, including 715,293,699 Class A ordinary shares and 305,388,450 Class B ordinary shares. Beneficial ownership is determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to our ordinary shares. In computing the number of ordinary 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.

	Ordinary Shares Beneficially Owned		
	Number	% [1]	% of Voting Power [2]
Directors and Executive Officers:			
Joseph Chen [3]	314,352,822	29.5	48.4
James Jian Liu [4]	46,055,735	4.4	1.2
Hui Huang [5]	*	*	*

	Ordinary Shares Beneficially Owned		
	Number	% [1]	% of Voting Power [2]
David K. Chao [6]	90,491,621	8.9	2.4
Shinzo Nakano [7]	*	*	*
Chuanfu Wang [8]	*	*	*
Thomas Jintao Ren [9]	*	*	*
Lillian Liu [9]	*	*	*
Miao Cao [9]	*	*	*
He Li [9]	*	*	*
All directors and executive officers as a group [10]	458,941,996	42.4	52.0
Principal Shareholders:			
SB Pan Pacific Corporation and affiliate [11]	405,388,451	39.7	43.0
Joseph Chen [3]	314,352,822	29.5	48.4
DCM and affiliates [12]	87,929,871	8.6	2.3

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

(1) For each person and group included in this column, percentage ownership is calculated by dividing the number of ordinary shares beneficially owned by such person or group by the sum of the number of ordinary shares outstanding and the number of ordinary shares such person or group has the right to acquire upon exercise of the share options or warrants within 60 days of February 29, 2016.

(2) For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power with respect to all of our Class A and Class B ordinary shares as a single class. Each holder of our Class B ordinary shares is entitled to ten votes per share and each holder of Class A ordinary shares is entitled to one vote per share held by our shareholders on all matters submitted to them for a vote. Subject to certain exceptions, our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders. Our Class B ordinary shares are convertible at any time by the holder into Class A ordinary shares on a one-for-one basis.

(3) Represents (i) 170,258,970 Class B ordinary shares held by Mr. Joseph Chen, (ii) 100,000,000 Class A ordinary shares held by Mr. Joseph Chen, and (iii) 44,093,852 Class A ordinary shares issuable upon exercise of options held by Mr. Chen that that are exercisable within 60 days after February 29, 2016. See the two paragraphs following this table for more information on Class A and Class B ordinary shares. The business address of Mr. Chen is 5/F, North Wing, 18 Jiuxianqiao Middle Road, Chaoyang District, Beijing, 100016, People's Republic of China.

(4) Represents (i) 31,365,110 Class A ordinary shares held by Mr. James Jian Liu and (ii) 14,690,625 Class A ordinary shares issuable upon exercise of options held by Mr. Liu that are exercisable within 60 days after February 29, 2016. The business address of Mr. Liu is 5/F, North Wing, 18 Jiuxianqiao Middle Road, Chao Yang District, Beijing, 100016, People's Republic of China.

(5) The business address of Ms. Huang is 5/F, North Wing, 18 Jiuxianqiao Middle Road, Beijing, 100016, People's Republic of China.

(6) Represents (i) 1,958,000 Class A ordinary shares held by Mr. David Chao, (ii) 603,750 Class A ordinary shares issuable upon exercise of options held by Mr. Chao that are exercisable within 60 days after February 29, 2016 and (iii) 87,929,871 Class A ordinary shares held by DCM and affiliates. DCM Investment Management III, LLC is the general partner of DCM. Mr. David Chao and Mr. Peter W. Moran are the managing members of DCM Investment Management III, LLC. See note 13, below, for more information on the shares held by DCM and affiliates. The business address of Mr. Chao is 2420 Sand Hill Road, Suite 200, Menlo Park, CA 94025.

(7) The business address of Mr. Nakano is 3-37-1-C1302 Taishido Setagaya-ku Tokyo, 154-0004 Japan.

(8) The business address of Mr. Wang is No. 3009, BYD Road, Pingshan, Shenzhen, 518118, People's Republic of China.

(9) The business address of this individual is 5/F, North Wing, 18 Jiuxianqiao Middle Road, Beijing, 100016, People's Republic of China.

(10) Certain directors and executive officers have been granted options pursuant to our 2006, 2008 and 2009 Equity Incentive Plans and our 2011 and 2016 Share Incentive Plan. See "Item 6.B—Directors, Senior Management and Employees—Compensation—Equity Incentive Plans."

(11) The number of ordinary shares beneficially owned is as of December 31, 2011, as reported in a Schedule 13G filed by SB Pan Pacific Corporation and SoftBank Corp. on February 14, 2012, and consists of 270,258,971 Class A ordinary shares and 135,129,480 Class B ordinary shares held by SB Pan Pacific Corporation. See the two paragraphs following this table for more information on Class A and Class B ordinary shares. SB Pan Pacific Corporation is a corporation established under the laws of the Federated States of Micronesia, and is a wholly owned subsidiary of SoftBank Corp. SoftBank Corp. is a corporation established under the laws of Japan, and is a public company listed on the Tokyo Stock Exchange. On January 31, 2011, SoftBank Corp. transferred 2,582,200 series C preferred shares and 402,870,510 series D preferred shares to SB Pan Pacific Corporation, and, immediately prior to the completion of our initial public offering in May 2011, 135,129,480 of these series D preferred shares were converted into Class B ordinary shares on a one-to-one basis and the rest of the preferred shares held by SB Pan Pacific Corporation were converted into Class A ordinary shares on a one-to-one basis. The business address for SB Pan Pacific Corporation is P.O. Box 902, Kolonia, Pohnpei, FSM 96941, and the business address for SoftBank Corp. is 1-9-1 Higashi-Shimbashi, Minato-ku, Tokyo 105-7303, Japan.

(12) The number of ordinary shares beneficially owned is as of December 31, 2015 as reported in a Schedule 13G/A filed by DCM Ventures (as defined below) and affiliates on February 4, 2016, and consists of (i) 81,768,285 Class A ordinary shares which are directly owned by DCM III, L.P. ("DCM III"), (ii) 2,166,501 Class A ordinary shares which are directly owned by DCM III-A, L.P. ("DCM III-A") and (iii) 3,995,085 Class A ordinary shares which are directly owned by DCM Affiliates Fund III, L.P. ("Aff III"). We refer to DCM III, DCM III-A and Aff III collectively as "DCM." DCM Investment Management III, LLC ("GP III") is the general partner of DCM III, DCM III-A and Aff III and may be deemed to have sole power to vote and dispose these Class A ordinary shares respectively held by DCM III, DCM III-A and Aff III, and Mr. David Chao and Mr. Peter W. Moran, the managing members of GP III, may be deemed to have shared power to vote and dispose these Class A ordinary shares. As set forth in note 6 above, Mr. Chao also owns 1,958,000 Class A ordinary shares. The business address of DCM Ventures is 2420 Sand Hill Road, Suite 200 Menlo Park, CA 94025.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. We issued Class A ordinary shares represented by our ADSs in our initial public offering in May 2011. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares. See "Item 10.B—Additional Information—Memorandum and Articles of Association—Ordinary Shares" for a more detailed description of our Class A ordinary shares and Class B ordinary shares.

To our knowledge, as of February 29, 2016, a total of 377,639,094 Class A ordinary shares were held by one record holder in the United States, which was Citibank, N.A., the depositary of our ADS program, and 170,258,970 Class B ordinary shares were held by one record holder in the United States. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company other than the non-binding going-private proposal that we received in June 2015. See "Item 3. Key Information on the Company—Risks Related to Our American Depositary Shares—There can be no assurance that the proposed going-private transaction will continue to be pursued, approved by our shareholders or successfully consummated. Potential uncertainty involving the proposed going private transaction may adversely affect our business and the market price of our ADSs." To our knowledge, we are not owned or controlled, directly or indirectly, by another corporation, by any foreign government or by any other natural or legal persons, severally or jointly.

For the options granted to our directors, officers and employees, please refer to "Item 6.B—Directors, Senior Management and Employees—Compensation—Equity Incentive Plans."

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

Please refer to "Item 6.E. Share Ownership."

B. Related Party Transactions

Contractual Arrangements with Our Consolidated Affiliated Entities

Please refer to "Item 4.C—Information on the Company—Organizational Structure—Contractual Arrangements with Our Consolidated Affiliated Entities."

Related Party Transactions with Oak Pacific Holdings and Its Affiliates

The three largest shareholders of Oak Pacific Holdings are Mr. Joseph Chen, our founder, chairman and chief executive officer; James Jian Liu, our director and chief operating officer; and David Chao, our director. Collectively they hold approximately 98.5% of Oak Pacific Holdings. Summarized below are certain transactions our company has had with affiliates of Oak Pacific Holdings in 2013, 2014 and 2015.

Gummy Inc.

During 2012, we performed certain payment collection services to Gummy Inc., a subsidiary of Oak Pacific Holdings. Gummy Inc. owed our company approximately US$21,000, US$20,000 and US$19,000 for payment collection services as of December 31, 2013, 2014 and 2015, respectively, which amount was unsecured, non-interest bearing and payable on demand.

Beijing Qian Xiang Hu Lian Technology Development Co., Ltd.

We performed certain back office services for Beijing Qian Xiang Hu Lian Technology Development Co., Ltd., or Hu Lian, which is a subsidiary of Oak Pacific Holdings. These services included provisions of human resources and accounting services and amounted to US$0.1 million, US$0.1 million and US$0.04 million in 2013, 2014 and 2015, respectively. As of December 31, 2015, Hu Lian owed our company US$0.4 million for these services, which amount was unsecured, non-interest bearing and payable on demand. The service fee has been repaid as of March 31, 2016.

Related Party Transactions with Our Major Shareholder

Beautiful Bay Co., Ltd,

In 2015, we provided a loan of US$4.8 million to Beautiful Bay Co. Ltd., an entity of which the wife of our chairman and chief executive officer, Joseph Chen, is a majority shareholder.The loan has been repaid as of December 31, 2015.

Beautiful Legend Co., Ltd,

In 2015, we acquired a 7.5% equity interest in Beautiful Legend Co., Ltd., an entity of which the wife of our chairman and chief executive officer, Joseph Chen, is a majority shareholder. We accounted for the investment as a cost method investment and the carrying amount was US$4.6 million as of December 31, 2015.

Related Party Transactions with Our Long Term Investments

Mapbar Technology Limited

In October 2011, we acquired a 35% equity interest in Mapbar Technology Limited, or Mapbar, and accounted for the investment using equity method as we are able to exercise significant influence over Mapbar. Mapbar performed approximately US$299,000, US$203,000 and US$110,000 of location-based services for our company in 2013, 2014 and 2015 respectively. As of December 31, 2015, our company owed Mapbar US$36,000 for these services, which amount was unsecured, non-interest bearing and payable on demand.

Qingting

In October 2013, we sold 60% of the equity interest in Qingting to an individual and deconsolidated Qingting as we no longer held a controlling interest. Qingting provided internet services of approximately US$0.1 million and US$0.2 million to us in 2013 and 2014. As of December 31, 2014, we owed Qingting nil for these services. During 2014, we provided a loan of US$0.2 million to Qingting. As of December 31, 2015, the loan has been fully repaid.

Japan Macro Opportunities Offshore Partners, LP

In November 2011, February 2013 and January 2014, we invested US$20.0 million, US$20.0 million and US$40.0 million, respectively in Japan Macro Opportunities Offshore Partners, LP, or JMOOP, which is a Cayman Islands exempted limited partnership. The investment was accounted for using equity method accounting. We received capital distributions of US$19.2 million, US$84.0 million and US$69.1 million in the years ended December 31, 2013, 2014 and 2015, respectively. We disposed of the investment on August 24, 2015.

Social Finance Inc.

In July 2012, we purchased US$10.0 million Series 2012-A Senior Secured Refi Loan Notes issued by SoFi Lending Corp., a subsidiary of Social Finance Inc. Oak Pacific Holdings is a shareholder of Social Finance Inc. and our chairman and chief executive officer, Joseph Chen, is a director of Social Finance Inc. The note has a maturity date of July 3, 2032 and a fixed annual interest rate of 4% with no redemption feature. We received monthly payments, including return of principal of US$1,353,000, US$1,370,000 and US$984,000 in 2013, 2014 and 2015, respectively, and earned interest of US$248,000, US$211,000 and US$181,000, from SoFi Lending Corp. for the years ended December 31, 2013, 2014 and 2015, respectively. As of December 31, 2015, the carrying amount of the note was US$5,879,000.

In September 2012, we invested US$49.0 million in newly issued series B preferred shares of Social Finance Inc., concurrently with a group of other investors.

In January 2014, we invested US$20.8 million in newly issued series D preferred shares of Social Finance Inc., concurrently with a group of other investors.

In January 2015, we invested US$22.3 million in newly issued series E preferred shares of Social Finance Inc., concurrently with a group of other investors.

In October 2015, we invested US$150 million in newly issued series F preferred shares of Social Finance Inc., concurrently with a group of other investors.

Golden Axe Inc.

In December 2015, we acquired a 2% equity interest in Golden Axe Inc. and accounted for the investment using equity method as we are able to exercise significant influence over Golden Axe Inc. In 2015, we provided a loan of US$11.2 million to Golden Axe Inc. and recorded US$0.2 million interest. As of December 31, 2015, Golden Axe Inc. owed us 16.0 million for the loan.

268V Limited

In January 2015, we acquired a 20.00% equity interest in 268V Limited and accounted for it as an available-for-sale investment. In 2015, we purchased about US$42,000 of used car services from 268V Limited and have fully paid the amount due as of December 31, 2015.

The transactions described above were approved by the independent, disinterested members of our board and the audit committee of the board in all cases where the counterparty was a related party at the time of the transaction or had been prior to the time of the transaction.

Employment Agreement

Please refer to “Item 6.C—Directors, Senior Management and Employees Board Practices—Employment Agreements.”

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See “Item 18. Financial Statements.”

Legal Proceedings

From time to time, we have become and may in the future become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property claims, breach of contract claims, labor and employment claims and other matters. Internet media companies are frequently involved in litigation based on allegations of infringement or other violations of intellectual property rights and other allegations based on the content available on their website or services they provide. See “Item 3.D—Risk Factors—Risks Related to Our Business and Our Industry—We have been and may continue to be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to our website, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.” Although such proceedings are inherently uncertain and their results cannot be predicted with certainty, we believe that the resolution of our current pending matters will not have a material adverse effect on our business, consolidated financial position, results of operations or cash flow. Regardless of the outcome, however, any litigation can have an adverse impact on us because of defense costs, diversion of management’s attention and other factors.

Dividend Policy

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

As we are a holding company, we rely, in part, on dividends paid to us by our PRC subsidiary for our cash requirements, including funds to pay dividends and other cash distributions to our shareholders, service any debt we may incur and pay our operating expenses. In China, the payment of dividends is subject to limitations. PRC laws and regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Under current PRC laws and regulations, our PRC subsidiaries are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until such reserve funds reach 50% of their registered capital. At the discretion of our PRC subsidiary, it may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves may not be distributed as cash dividends. Further, if 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 payments to us. See “Item 3.D—Risk Factors—Risks Related to Our Corporate Structure and the Regulation of Our Business—We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.”

Subject to our memorandum and articles of association and certain restrictions under Cayman Islands law, our board of directors has complete discretion on whether to distribute dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, they will be paid in accordance with Cayman Islands law, which provides, in summary, that dividends may be paid out of profits and/or our share premium account provided that in the case of our share premium account, no such distribution or dividend paid to our shareholders will cause us to be unable to pay our debts as they fall due in the ordinary course of our business. In addition, the Companies Law (2013 Revision) of the Cayman Islands prevents us from offering our shares or securities to individuals within the Cayman Islands, which may limit our ability to distribute a dividend comprised of our shares or other securities. We will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Description of American Depositary Shares” in our registration statement on Form F-1 (File No. 333-173548), as amended, initially filed with the SEC on April 15, 2011. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. The Offer and Listing

A. Offering and Listing Details

See "—C. Markets"

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing three Class A ordinary shares, have been listed on the NYSE since May 4, 2011 and trade under the symbol "RENN." The following table provides the high and low trading prices for our ADSs on the NYSE for the periods indicated. The last reported closing price for our ADSs on May 12, 2016 was US$2.49 per ADS.

	Market Price (US$)	
	High	**Low**
Annual High and Low		
2012	7.87	3.00
2013	4.63	2.52
2014	4.79	2.45
2015	4.45	2.35
Quarterly Highs and Lows		
First Quarter of 2014	4.79	3.00
Second Quarter of 2014	3.60	3.12
Third Quarter of 2014	3.65	3.10
Fourth Quarter of 2014	3.53	2.45
First Quarter of 2015	2.80	2.35
Second Quarter of 2015	4.45	2.39
Third Quarter of 2015	3.82	2.76
Fourth Quarter of 2015	3.77	3.12
First Quarter of 2016	3.68	2.58
Second Quarter of 2016	3.56	2.47
Monthly Highs and Lows		
October 2015	3.62	3.12
November 2015	3.64	3.38
December 2015	3.77	3.37
January 2016	3.68	2.98
February 2016	3.19	2.58
March 2016	3.38	3.08
April 2016	3.56	2.93
May 2016 (through May 12, 2016)	3.24	2.47

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

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 is referred to below as the Companies Law and the common law of the Cayman Islands.

The following are summaries of the material provisions of our amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. As set forth in article 3 of our memorandum of association, the objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law (2013 Revision), as amended from time to time, or any other law of the Cayman Islands.

Board of Directors

See "Item 6.C. Directors, Senior Management and Employees—Board Practices—Composition of Board of Directors" and "Item 6.C. Directors, Senior Management and Employees—Board Practices—Terms of Directors and Executive Officers."

Ordinary Shares

General. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form, and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law. The Companies Law provides, in summary, that dividends may be paid out of profits and/or our share premium account provided that no such distribution or dividend paid to our shareholders will cause us to be unable to pay our debts as they fall due in the ordinary course of our business. In addition, the Companies Law prevents us from offering our shares or securities to individuals within the Cayman Islands which may limit our ability to distribute a dividend comprised of our shares or other securities.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. All Class B ordinary shares beneficially owned by a holder and such holder's affiliates will automatically convert into the same number of Class A ordinary shares if the holder and its affiliates collectively own less than 50% of the total shares held by them immediately upon the completion of our initial public offering in May 2011. In addition, upon any transfer of Class B ordinary shares by a holder to any person or entity which is not over 50% owned by, or is not a direct family member of, the original holder, such Class B ordinary shares shall be automatically and immediately converted into an equal number of Class A ordinary shares. Furthermore, if a holder of the Class B ordinary shares transfers Class B ordinary shares to any entities in which the original holder owns over 50% but less than 100%, the number of Class B ordinary shares equal to the product of (X) the total number of Class B ordinary shares so transferred; and (Y) the difference between 100% and the percentage of ownership held by the original holder in the transferee shall be automatically and immediately converted into an equal number of Class A ordinary share.

Voting Rights. In respect of matters requiring shareholders' votes, each Class A ordinary share is entitled to one vote and each Class B ordinary share is entitled to ten votes. In addition, the following matters are subject to the approval by the holders representing a majority of the aggregate voting power of our company, the holders of a majority of total outstanding Class A ordinary shares and, for as long as SB Pan Pacific Corporation and its affiliates collectively own no less than 50% of the total shares held by them immediately upon the completion of our initial public offering, the approval of SB Pan Pacific Corporation: (i) a change of control event, and (ii) election of director(s) to the board at an annual general meeting. In addition, for as long as SB Pan Pacific Corporation and its affiliates collectively own no less than 50% of the total shares held by them immediately upon the completion of our initial public offering, we need to obtain SB Pan Pacific Corporation's approval for the following matters: (i) issuance of ordinary shares, or of securities convertible into or exercisable for ordinary shares, in the aggregate in excess of 10% of the number of all ordinary shares outstanding immediately prior to the issuance of such shares or securities on an as-converted basis in any 12-month period, (ii) acquisition of major assets or business for consideration exceeding 10% of our company market capitalization; (iii) disposals of our material assets with a value exceeding 5% of our company's market capitalization; or (iv) any amendment to our amended and restated memorandum and articles of association that specifically adversely affects the rights of SB Pan Pacific Corporation. In addition, for as long as SB Pan Pacific Corporation and its affiliates collectively own no less than 50% of the total shares held by them immediately upon the completion of our initial public offering, SB Pan Pacific Corporation and its affiliates will have the right to collectively appoint one director and the exclusive right to remove such director.

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 holding not less than an aggregate of one-third of all voting power of the shares in issue entitled to vote at the general meeting. Shareholders' meetings are held annually and may be convened by any one of our directors on its own initiative or upon a request to the directors by shareholders holding in aggregate at least one-fifth of our voting power of our share capital. Advance notice of at least seven days is required for the convening of our annual general meeting and other shareholders' meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the ordinary shares. A special resolution is required for important matters such as an amendment to our amended and restated memorandum or articles of association. Holders of the ordinary shares may effect certain changes by ordinary resolution, including altering the amount of our authorized share capital, consolidating and dividing all or any of our share capital into shares of larger amount than our existing share capital, and canceling any shares.

Transfer of Shares. Subject to the restrictions of our amended and restated memorandum and articles of association, which allows our directors to decline to register a transfer of any share which is not fully paid or on which we have a lien and to decline to recognize an instrument of transfer should it fail to comply with the form prescribed by our board or our transfer agent, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board, and we will take all steps necessary to ensure that the transferee is entered on the register of members in order for the transfer to be effective. We understand that no further approval by any authority in the Cayman Islands will be required in order for the transfer of shares to be effective.

Liquidation. On a liquidation winding up, distribution or payment shall be made to the holders of ordinary shares. Considerations received by each Class B ordinary share and Class A ordinary share should be the same in any liquidation event. Assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionally.

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 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption of Shares. The provisions of the Companies Law, in summary, provides that provided our amended and restated articles of association permit it, we may issue shares which are to be redeemed or are liable to be redeemed at the option of our directors or a shareholder. In addition, the Companies Law allows us to purchase our own share, including any redeemable shares. Shares to be purchased or redeemed must be fully paid and there must remain at least one shareholder of the company holding shares. Share re-purchases or redemptions may be funded out of profits, capital or share premium, but to the extent funds other than profits are used, it is statutorily required that we be able to pay our debts as they fall due in our ordinary course of business following such a purchase or redemption. Subject to these provisions, our amended and restated articles of association allow us to issue shares on terms that are subject to either re-purchase by us or redemption, at our option or at the option of the holders, on such terms and in such manner as may be determined by special resolution.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of our amended and restated articles of association, be varied either with the written consent of the holders of a 75% of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking in priority to or pari passu with such previously existing shares.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records, with the exception that, pursuant to statutory requirements, any of our creditors or shareholder may inspect our register of mortgages and charges, which includes details of any mortgage and change over our assets. We will provide our shareholders with annual audited financial statements.

Anti-Takeover Provisions. Some provisions of our amended and restated memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and

- establish advance notice requirements for nominating board of directors nominees or for proposing matters that can be acted on by shareholders at annual shareholder meetings.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our amended and restated memorandum and articles of association for a proper purpose and for what they honestly believe in good faith to be in the best interests of our company.

Rights of Non-resident or Foreign Shareholders. There are no limitations imposed by our amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

C. Material Contracts

For the two years immediately preceding the date of this annual report, we have not entered into any material contracts, other than in the ordinary course of business or those described in “Item 4. Information on the Company” or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

The Cayman Islands currently has no exchange control restrictions. See also “Item 4.B—Information on the Company—Business Overview—Regulation—Regulations on Foreign Exchange.”

E. Taxation

The following discussion of the material Cayman Islands, PRC and United States federal income tax consequences of an investment in our Class A ordinary shares or ADSs is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This discussion does not deal with all possible tax consequences relating to an investment in the Class A ordinary shares or ADSs, such as the tax consequences under U.S. state, local and other tax laws. To the extent that the discussion relates to matters of Cayman Islands tax law, it is the opinion of Maples and Calder, our Cayman Islands counsel, and to the extent it relates to PRC tax law, it is the opinion of TransAsia Lawyers, our PRC counsel.

Cayman Islands Taxation

We are an exempted company incorporated in the Cayman Islands. 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 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.

People’s Republic of China Taxation

We are a holding company incorporated in the Cayman Islands, and 100% of our equity interests in our PRC subsidiaries are held indirectly through our offshore holding companies. Our business operations are principally conducted through our PRC subsidiaries and consolidated affiliated entities. The Enterprise Income Tax Law provides that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its overseas parent that is not a PRC resident enterprise and has no establishment in the PRC, will normally be subject to PRC withholding tax at a rate of 10%. Under the Enterprise Income Tax Law, enterprises established under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered to be PRC tax resident enterprises for tax purposes. If we are considered a PRC tax resident enterprise under the above definition, then our global income will be subject to PRC enterprise income tax at the rate of 25%.

The implementation rules of the Enterprise Income Tax Law provide that (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or capital gains are treated as China-sourced income. It is not clear how “domicile” may be interpreted under the Enterprise Income Tax Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC tax resident enterprise for tax purposes, any dividends we pay to our overseas shareholders or ADS holders as well as gains recognized by such shareholders or ADS holders from the transfer of our shares or ADSs may be regarded as China-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%.

See “Item 3.D—Risk Factors—Risks Related to Doing Business in China—Discontinuation of any of the preferential tax treatments or imposition of any additional taxes could adversely affect our financial condition and results of operations.

United States Federal Income Tax Considerations

The following is a discussion of the principal United States federal income tax considerations relating to the acquisition, ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that acquires our ADSs or ordinary shares and holds our ADSs or ordinary shares as "capital assets" (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the "Code"). This discussion is based upon existing United States federal tax law, including the Code, its legislative history, existing, temporary and proposed regulations thereunder, published rulings and court decisions, all of which are 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, financial institutions, insurance companies, regulated investment companies, real estate investment trusts, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships (or other entities treated as partnerships for United States federal income tax purposes) 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 who acquire their ADSs or ordinary shares pursuant to any employee share option or otherwise as compensation, investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for United States federal income tax purposes, or investors 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, this discussion does not discuss any United States federal estate, gift or alternative minimum tax consequences or any non-United States, state or local tax considerations. Each U.S. Holder is urged to consult its tax advisor regarding the United States federal, state, local and non-United States income and other tax considerations of an investment in our ADSs or ordinary shares.

General

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of our ADSs or ordinary 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 law 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 validly 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 ordinary 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. If a U.S. Holder is a partner of a partnership holding our ADSs or ordinary shares, the U.S. Holder is urged to consult its tax advisor regarding an investment in our ADSs or ordinary shares.

Our company is a corporation organized under the laws of the Cayman Islands. As such, our company believes that it is not a United States corporation for United States federal income tax purposes. Under certain provisions of the Code and regulations, however, if pursuant to a plan (or a series of related transactions), a non-United States corporation such as our company acquires substantially all of the assets of a United States corporation, and after the acquisition 80% or more of the stock (by vote or value) of the non-United States corporation (excluding stock issued in a public offering related to the acquisition) is owned by former shareholders of the United States corporation by reason of their ownership of the United States corporation, the non-United States corporation will be considered a United States corporation for United States federal income tax purposes. Based on our analysis of the facts related to our corporate restructuring in 2005 and 2006, we do not believe that we should be treated as a United States corporation for United States federal income tax purposes. However, as there is no direct authority on how the relevant rules of the Code might apply to us, our company's conclusion is not free from doubt. Therefore, our conclusion may be challenged by the United States tax authorities and a finding that we owe additional United States taxes could substantially reduce the value of your investment in our company. You are urged to consult your tax advisor concerning the income tax consequences of purchasing, holding or disposing of ADSs or ordinary shares if we were to be treated as a United States domestic corporation for United States federal income tax purposes. The remainder of this discussion assumes that our company is treated as a non-United States corporation for United States federal income tax purposes.

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with the terms thereof.

For United States federal income tax purposes, a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs.

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be a "passive foreign investment company," or "PFIC," for United States federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are categorized as a passive asset and the company's unbooked intangibles are taken into account. Passive income is any income that would be foreign personal holding company income under the Code, including dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income, net gains from commodity transactions, net foreign currency gains and income from notional principal contracts. We 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.

Although the law in this regard is unclear, we treat our VIEs, including Qianxiang Tiancheng, as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated financial statements. If it were determined, however, that we were not the owner of the above mentioned entities for United States federal income tax purposes, then we would likely be treated as a PFIC even if we would not otherwise have been treated as a PFIC for that particular year.

We believe we were a PFIC for the taxable years ended December 31, 2013, 2014 and 2015. Our PFIC status for the current taxable year will not be determinable until after the close of the current taxable year. Because we currently hold, and expect to continue to hold, a substantial amount of cash and other passive assets and, because, as a public company, the value of our assets for this purpose is determined in part by reference to the market prices of our ADSs and outstanding ordinary shares, there can be no assurance that we will not be a PFIC for the current or any future taxable year. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income or where we determine not to deploy significant amounts of cash for active purposes, our risk of being a PFIC for the particular year may substantially increase.

If we are a PFIC, our ADSs or ordinary shares generally will continue to be treated as shares in a PFIC for all succeeding years during which a U.S. Holder holds our ADSs or ordinary shares, unless we cease to be a PFIC and the U.S. Holder makes a "deemed sale" election with respect to the ADSs or ordinary shares. If you make a deemed sale election, you will be deemed to have sold the ADSs or ordinary shares you hold at their fair market value as of the last day of the last year during which we were a PFIC (the "termination date"). Any gain from such deemed sale would be subject to the consequences described below under "—Passive Foreign Investment Company Rules." You are urged to consult your tax adviser regarding our possible status as a PFIC as well as the benefit of making a deemed sale election.

Dividends

If we are not a PFIC, any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or ordinary 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 ordinary 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 U.S. Holder that is the recipient of dividend income generally will be subject to tax on dividend income from a "qualified foreign corporation" at the 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. Our ADSs are listed on the NYSE, which is an established securities market in the United States, and our ADSs are readily tradable. Thus, we believe that dividends we pay on our ADSs will meet the conditions required for the reduced tax rates. Since we do not expect that our ordinary shares will be listed on an established securities market, we do not believe that dividends we pay on our ordinary shares that are not represented by ADSs will meet the conditions required for these reduced tax rates. Dividends received on our ADSs or ordinary shares will not be eligible for the dividend received deduction allowed to corporations.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our ADSs or ordinary shares. In such case, we may, however, be eligible for the benefits of the United States-PRC income tax treaty. If we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by our ADSs, would be eligible for the reduced rates of taxation applicable to qualified dividend income, as discussed above.

Dividends generally will be treated as income from foreign sources for United States foreign tax credit purposes and generally will constitute passive category income. 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 ordinary shares. 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 withholdings, but only for a year in which such U.S. Holder elects to do so for all creditable foreign income taxes. 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.

If we are a PFIC, the rules described above would generally only apply to distributions that were not “excess distributions” received by a U.S. Holder who does not make a mark-to market election (described below).

Sale or Other Disposition of ADSs or Ordinary Shares

If we are not a PFIC, a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the U.S. Holder’s adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term if the ADSs or ordinary 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. Capital gains of non-corporate U.S. Holders derived from capital assets held for more than one year are currently eligible for reduced rates of taxation. In the event that gain from the disposition of the ADSs or ordinary shares is subject to tax in the PRC, such gain may be treated as PRC source gain under the United States-PRC income tax treaty. The deductibility of a capital loss is subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign withholding tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary 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% 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 ordinary shares), and (ii) any gain realized on the sale or other disposition, including a pledge, of ADSs or ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or ordinary shares;
- the amounts 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; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for such year and would be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to each such other taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our non-United States subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of each such non-United States subsidiary that is a PFIC (each such subsidiary, a lower-tier PFIC) and would be subject to the rules described above on certain distributions by a lower-tier PFIC and a disposition of shares of a lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" in a PFIC is permitted to make a mark-to-market election with respect to our ADSs, but not our ordinary shares, provided that our ADSs remain listed on the NYSE and are regularly traded. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes a valid mark-to-market election, 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 a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. Holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. In the case of a U.S. Holder who has held ADSs or ordinary shares during any taxable year in respect of which we were a PFIC and continues to hold such ADSs or ordinary shares (or any portion thereof) and has not previously made a mark-to-market election, but who is considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs or ordinary shares through the use of a "deemed sale" election, as discussed above under "—Passive Foreign Investment Company Considerations."

Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the 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 ordinary shares during any taxable year that we are a PFIC, the U.S. Holder will be required to file an annual IRS Form 8621 and other forms as may be required by the United States Treasury Department. Each U.S. Holder is urged to consult its tax advisor concerning the United States federal income tax consequences of purchasing, holding and disposing ADSs or ordinary shares, including the possibility of making a mark-to-market election and the unavailability of the election to treat us as a qualified electing fund.

Medicare Tax

An additional 3.8% tax is imposed on a portion or all of the net investment income of certain individuals with a modified adjusted gross income of over US$200,000 (or US$250,000 in the case of joint filers or US$125,000 in the case of married individuals filing separately) and on the undistributed net investment income of certain estates and trusts. For these purposes, "net investment income" generally includes interest, dividends (including dividends paid with respect to our ADSs or ordinary shares), annuities, royalties, rents, net gain attributable to the disposition of property not held in a trade or business (including net gain from the sale, exchange or other taxable disposition of an ADS or ordinary share) and certain other income, reduced by any deductions properly allocable to such income or net gain. U.S. holders are urged to consult their tax advisors regarding the applicability of this tax to their income and gains in respect of their investment in the ADSs or ordinary shares.

Information Reporting and Backup Withholding

Dividend payments with respect to the ADSs or ordinary shares and proceeds from the sale, exchange or redemption of our ADSs or ordinary shares may be subject to information reporting to the IRS and possible United States backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes other required certifications, or who is otherwise exempt from backup withholding. U.S. Holders that are required to establish their exempt status generally must provide such certification on IRS Form W-9.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's United States federal income tax liability, and a U.S. Holder generally may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

Individual U.S. Holders and certain U.S. entities may be required to submit to the IRS certain information with respect to their beneficial ownership of the ADSs or ordinary shares, if such ADSs or ordinary shares are not held on their behalf by a financial institution. U.S. Holders who fail to timely furnish the required information may be subject to a penalty. U.S. Holders should consult their tax advisors regarding the application of the United States information reporting and backup withholding rules.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC our registration statement on Form F-1 (Registration No. 333-173548), as amended, including the prospectus contained therein, to register our Class A ordinary shares. We have also filed with the SEC a related registration statement on Form F-6 (Registration No. 333-173515) to register the ADSs.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year, which is December 31. Reports and other information, when so filed, may be accessed on the SEC website at www.sec.gov. Copies of reports and other information may also be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Citibank, N.A, the depositary of our ADSs, all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us. We will file our annual report on Form 20-F, including our audited financial statements, with the SEC. Our annual report on Form 20-F can be accessed on the SEC's website as well the investor relations section of our website. Investors may request a hard copy of our annual report, free of charge, by contacting us.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Foreign Exchange Risk

Substantially all of our revenues and expenses are denominated in RMB. We had a gain of US$1.5 million on foreign currency deposit in 2013, a loss of US$2.3 million in 2014 and a loss of US$0.2 million in 2015, which were primarily related to the exchange rate fluctuation of our RMB deposits during the year.

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

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

To the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. As of December 31, 2015, we had RMB-denominated cash and term deposits totaling US$29.0 million and U.S. dollar-denominated cash and term deposits totaling US$26.7 million.

Interest Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits, and derivative contracts on Japanese yen interest rates that we have invested in solely for our own treasury investment purposes and not related to our business operating activities.

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.

As of the date of this annual report, we have a total of two swaption contracts on Japanese yen interest rates outstanding with expiration dates during the second quarter of 2016, for which we paid a total of US$6.7 million in premiums. Upon the maturity date of a swaption contract, if the prevailing rate for Japanese yen interest rate swaps is higher than the strike rate of the contract, then we will have the right to enter into an underlying swap and immediately receive an amount with reference to the discounted cash flows of the underlying swap as settlement of the contract; otherwise, the contract will expire unexercised and we will lose the premium paid for the contract.

The table below set out the quantitative analysis of the swaptions and swap contracts outstanding as of the date of this annual report, that are subjected to interest risk and for treasury investment purposes:

	Notional Amount	Premium Paid	Fair Value
	(in JPY million)	(in US$ million)	(in US$)
Interest rate swaption on Japanese yen interest rate			
Pay 2.75%, Receive variable rate of 20 years swap rate	30,000	3.2	347
Pay 3.0%, Receive variable rate of 20 years swap rate	40,000	3.5	45

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 year-over-year percent changes in the consumer price index for December 2013, 2014 and 2015 increases of 2.5%, 1.5% and 1.6%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

Citibank, N.A., is the depositary of our ADS program. Set forth below is a summary of fees holders of our ADSs may be required to pay for various services the depositary may provide:

Service	Fee
Issuance of ADSs	Up to US$0.05 per ADS issued
Cancellation of ADSs	Up to US$0.05 per ADS canceled
Distribution of cash dividends or other cash distributions	Up to US$0.05 per ADS held
Distribution of ADSs pursuant to stock dividends, free stock distributions or exercise of rights	Up to US$0.05 per ADS held
Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to US$0.05 per ADS held
Depositary services	Up to US$0.05 per ADS held on the applicable record date(s) established by the depositary
Transfer of ADRs	US$1.50 per certificate presented for transfer

As an ADS holder you will also be responsible to pay certain fees and expenses incurred by the depositary and certain taxes and governmental charges such as:

- fees for the transfer and registration of Class A ordinary shares charged by the registrar and transfer agent for the Class A ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of Class A ordinary shares);
- expenses incurred for converting foreign currency into U.S. dollars;
- expenses for cable, telex and fax transmissions and for delivery of securities;
- taxes and duties upon the transfer of securities (i.e., when Class A ordinary shares are deposited or withdrawn from deposit); and
- fees and expenses incurred in connection with the delivery or servicing of Class A ordinary shares on deposit.

Depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary and by the brokers (on behalf of their clients) delivering the ADSs to the depositary for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (such as stock dividends and rights distributions), the depositary charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary.

The fees and charges ADS holders may be required to pay may vary over time and may be changed by us and by the depositary. ADS holders will receive prior notice of such changes.

Fees and Other Payments Made by the Depositary to Us

The depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADS program, including investor relations expenses and exchange application and listing fees. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. In 2013, 2014 and 2015, we received approximately US$1.1 million, nil and US$1.1 million, respectively, net of applicable withholding taxes in the United States, from the depository as reimbursement for our expenses incurred in connection with the establishment and maintenance of the ADS program.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information—Ordinary Shares” for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File Number 333-173548) (the “F-1 Registration Statement”) in relation to (i) our initial public offering of 42,898,711 ADSs representing 128,696,133 Class A ordinary shares, and the underwriters’ full exercise of their option to purchase from us an additional 7,965,000 ADSs representing 23,895,000 Class A ordinary shares, at an initial offering price of US$14.00 per ADS, and (ii) an aggregate of 23,571,426 Class A ordinary shares which we sold in a private placement (the “concurrent private placement”) at a price of US$4.67 per Class A ordinary share to a group of unrelated third-party investors consisting of entities affiliated with Alibaba Group, China Media Capital and CITIC Securities concurrently with, and subject to, the completion of our initial public offering. Our initial public offering and the concurrent private placement closed in May 2011. Morgan Stanley & Co. International plc, Deutsche Bank Securities Inc. and Credit Suisse Securities (USA) LLC were the representatives of the underwriters for our initial public offering.

We received net proceeds of approximately US$777 million from our initial public offering and the concurrent private placement. For the period from May 4, 2011, the date the F-1 Registration Statement was declared effective by the SEC, to December 31, 2015, we used net proceeds from our initial public offering and the concurrent private placement primarily as follows:

- US$3.2 million, US$11.1 million and US$92.2 million used in operating activities during 2011, 2012 and 2013, respectively;
- US$79.8 million in the acquisition of 56.com;
- US$118.4 million for an equity investment in Social Finance, Inc.;
- US$26.6 million for a long-term investment in Mapbar Technology Limited;
- US$80.0 million for a long-term investment in Japan Macro Opportunities Offshore Partners, LP;
- US$240.9 million for share repurchases;
- US$32.1 million for a property purchased in Shanghai;
- US$35.0 million for an investment in shares and warrants issued by Snowball Finance Inc.;
- US$17.2 million and US$10.0 million for equity investment in Rise Companies Corp and Fundrise, L.P. respectively;

- US$18.1 million for an investment in Eall Technology Limited; and
- US$12.4 million for an equity investment in Koolray Vision Inc.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon this evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were not effective, due to the material weaknesses in our internal control over financial reporting as described below.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in by the SEC's rules and forms, and that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on the consolidated financial statements. Due to its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation, and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act and related rules as promulgated by the SEC, our management assessed the effectiveness of our company's internal control over financial reporting as of December 31, 2015, using criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management identified two material weaknesses in our internal control over financial reporting, as follows:

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

Our independent registered public accounting firm, Deloitte Touche Tohmatsu Certified Public Accountants LLP, has issued an attestation report on our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To The Board Of Directors And Shareholders Of Renren Inc.

We have audited the internal control over financial reporting of Renren Inc. (the "Company"), its subsidiaries, its variable interest entities ("VIEs") and its VIEs' subsidiaries (collectively, the "Group") as of December 31, 2015, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment: (i) the Company did not implement appropriate controls over the accounting and measurement of complex investments; and (ii) the Company did not implement effective control activities over the newly launched internet finance business to ensure the timely communication of sufficient information to the financial reporting team for certain accounting matters. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015, of the Group and this report does not affect our report on such financial statements and financial statement schedule.

In our opinion, because of the effect of the material weaknesses identified above on the achievement of the objectives of the control criteria, the Group has not maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements, and financial statements schedule as of and for the year ended December 31, 2015 of the Group and our report dated May 16, 2016 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
May 16, 2016

Management's Remediation Plans and Actions

To remediate the material weaknesses described above in "Management's Report on Internal Control over Financial Reporting," we are implementing the plan and measures described below, and we will continue to evaluate and may in the future implement additional measures.

We have planned and begun to carry out the following remediation measures:

- During 2016, we have hired and plan to hire additional staff with relevant accounting experience, skills and knowledge in the preparation of financial statements under the requirements of U.S. GAAP and financial reporting disclosure under the requirement of SEC rules, specifically to the recognition and measurement of the investments and the new internet finance business;
- We will update our internet finance accounting policies and procedures manual in accordance with U.S. GAAP in 2016; and
- We plan to hire a senior-level staff member in 2016 who will be responsible for improvement and monitoring of our company's internal control over financial reporting.

We believe that we are taking the steps necessary for remediation of the material weaknesses identified above, and we will continue to monitor the effectiveness of these steps and to make any changes that our management deems appropriate.

Changes in Internal Control over Financial Reporting

In 2015, we established a monitoring control to ensure that we properly conduct and document the formal board resolutions on preapproval for long term investments as the remedial measures to address the significant deficiency reported in our annual report on Form 20-F for the year ended December 31, 2014. We deem this significant deficiency was properly remediated.

Other than the remedial measures described above, there were no other changes in our internal control over financial reporting during the year ended December 31, 2015 that have materially affected or are reasonable likely to materially affect our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Management, including our chief executive officer and our chief financial officer, does not expect that our disclosure controls and procedures or internal control over financial reporting will prevent or detect all errors and all fraud. A control system cannot provide absolute assurance due to its inherent limitations; it is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. A control system also can be circumvented by collusion or improper management override. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of such limitations, disclosure controls and procedures and internal control over financial reporting cannot prevent or detect all misstatements, whether unintentional errors or fraud. However, these inherent limitations are known features of the financial reporting process, therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Item 16. Reserved

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. David Chao, an independent director (under the standards set forth in Section 303A of the Corporate Governance Rules of the NYSE and Rule 10A-3 under the Exchange Act) qualifies as an "audit committee financial expert."

Item 16B. Code of Ethics

Our board has adopted a code of business conduct and ethics that provides that our directors and officers are expected to avoid any action, position or interest that conflicts with the interests of our company or gives the appearance of a conflict. Directors and officers have an obligation under our code of business conduct and ethics to advance our company's interests when the opportunity to do so arises. We have posted a copy of our code of business conduct and ethics on our website at *http://www.renren-inc.com*.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu Certified Public Accountants LLP, our principal external auditors, for the periods indicated.

	For the Year Ended December 31,	
	2014	2015
	(In thousands of US$)	
Audit fees [1]	1,230.0	1,185.7
Other fees [2]	—	201.9

(1) "Audit fees" means the aggregate fees billed or payable for professional services rendered by our independent auditors in connection with the audit of our consolidated financial statements or the review of our interim consolidated financial statements required for statutory or regulatory filings.

(2) "other fees" represent the aggregate fees billed and expected to be billed in each of the fiscal years listed for professional services rendered by our independent registered public accounting firm other than the services reported in (1).

All audit and non-audit services provided by our independent auditors must be pre-approved by our audit committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On June 28, 2013, we announced that our board of directors had authorized a new share repurchase program for 12 months from June 28, 2013 to June 27, 2014. During this 12-month period, our company was authorized, but not obligated, to repurchase up to US$100 million of our ADSs. By the completion of this share repurchase program on June 27, 2014, our company had purchased a total of 22,208,923 ADSs at an aggregate consideration of US$69.3 million.

On May 21, 2014, we announced that our board of directors authorized a new share repurchase program for 12 months from June 28, 2014 to June 27, 2015. During this 12-month period, our company was authorized, but not obligated, to repurchase up to US$100 million of our ADSs. By the completion of this share repurchase program on June 27, 2015, our company had purchased a total of 16,984,078 ADSs at an aggregate consideration of US$53.0 million.

The following table sets forth information about our repurchases made in the year 2015 under the share repurchase program described in the paragraph above.

Period	Total Number of ADSs Purchased	Average Price Paid per ADS (US$)	Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of ADSs that May Yet be Purchased Under the Plans or Programs (US$)
Month #1 (January 1, 2015 – January 31, 2015)	757,119	2.60	757,119	55,345,579
Month #2 (February 1, 2015 – February 28, 2015)	832,007	2.60	832,007	53,186,122
Month #3 (March 1, 2015 – March 31, 2015)	824,618	2.55	824,618	51,083,716
Month #4 (April 1, 2015 – April 30, 2015)	—	—		
Month #5 (May 1, 2015 – May 31, 2015)	1,172,115	3.29	1,172,115	47,222,445
Month #6 (June 1, 2015 – June 27, 2015)	51,511	3.83	51,511	47,025,379
Total	3,637,370	2.83	3,637,370	

In addition, during the course of the administration of our equity incentive plans, we have, from time to time, canceled or repurchased restricted shares or other securities held by employees or other participants of our equity incentive plans.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Section 303A.12(a) of the NYSE Listed Company Manual requires each listed company's chief executive officer to certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards. We are a Cayman Islands company, and our chief executive officer is not required under applicable Cayman Islands law to make such a certification. Pursuant to the exception granted to foreign private issuers under Section 303A.00 of the NYSE Listed Company Manual, we have followed our home country practice in this regard and have not in the past submitted the certification set forth in Section 303A.12(a) of the NYSE Listed Company Manual.

Section 303A.01 of the NYSE Listed Company Manual requires a listed company to have a majority of independent directors. Section 303A.07(a) of the NYSE Listed Company Manual requires the audit committee to have a minimum of three members. Section 303A.08 of the NYSE Listed Company Manual requires a listed company to give shareholders an opportunity to vote on all equity-compensation plans and material revisions thereto. We are a Cayman Islands company, and there are no requirements under applicable Cayman Islands law that correspond to these sections of the NYSE Listed Company Manual. Pursuant to the exception granted to foreign private issuers under Section 303A.00 of the NYSE Listed Company Manual, we have followed our home country practice and are exempted from the requirements of Sections 303A.01, 303A.07(a) and 303A.08 of the NYSE Listed Company Manual.

Other than the requirements discussed above, there are no significant differences between our corporate governance practices and those followed by domestic listed companies as required under the NYSE Listed Company Manual.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of Renren Inc. and its subsidiaries and consolidated affiliated entities are included at the end of this annual report.

In accordance with Regulation S-X Rule 3-09, the following documents of Japan Macro Opportunities Offshore Partners, L.P are included at the end of this annual report:

- financial statements as of and for the year ended December 31, 2013, and independent auditors' report;
- financial statements as of and for the year ended December 31, 2014, and independent auditors' report; and
- financial statements as of and for the year ended December 31, 2015.

Item 19. Exhibits

Exhibit Number	Description of Document
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
2.1	Specimen American depositary receipt of the Registrant (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
2.2	Specimen Class A ordinary share certificate of the Registrant (incorporated by reference to Exhibit 4.2 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).

Exhibit Number	Description of Document
2.3	Deposit Agreement, dated as of May 4, 2011, by and among the Registrant, Citibank, N.A., as depositary, and the holders of the American Depositary Receipts (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form S-8 (file no. 333-177366), filed with the SEC on October 18, 2011).
2.4	Amended and Restated Investors' Rights Agreement between the Registrant and other parties therein, dated as of April 4, 2008, as amended (incorporated by reference to Exhibit 4.6 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
2.5	Form of Registration Rights Agreement between the Registrant and other parties therein (incorporated by reference to Exhibit 10.21 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.1	2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.2	2008 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.3	2009 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.4	2011 Share Incentive Plan (as ameded by Amendment No.1 to the 2011 Share Incentive Plan (incorporated by reference to Exhibit 10.1 to our Registration Statement on Form S-8 (file no. 333-209734), filed with the SEC on February 26, 2016).
4.5	Form of Indemnification Agreement between the Registrant and its directors and officers (incorporated by reference to Exhibit 10.5 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.6	Form of Employment Agreement between the Registrant and the officers of the Registrant (incorporated by reference to Exhibit 10.6 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.7	Business Operations Agreement, dated as of December 23, 2010, between Qianxiang Shiji, Qianxiang Tiancheng and the shareholders of Qianxiang Tiancheng (incorporated by reference to Exhibit 10.7 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.8	Amended and Restated Equity Option Agreements, dated as of December 23, 2010, between Qianxiang Shiji and the shareholders of Qianxiang Tiancheng (incorporated by reference to Exhibit 10.8 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.9	Amended and Restated Equity Interest Pledge Agreements, dated as of December 23, 2010, between Qianxiang Shiji and the shareholders of Qianxiang Tiancheng (incorporated by reference to Exhibit 10.9 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.10	Power of Attorney, dated as of December 23, 2010, by the shareholders of Qianxiang Tiancheng (incorporated by reference to Exhibit 10.10 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).

Exhibit Number	Description of Document
4.11	Spousal Consents, dated as of December 23, 2010, by the shareholders of Qianxiang Tiancheng (incorporated by reference to Exhibit 10.11 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.12	Amended and Restated Loan Agreements, dated as of December 23, 2010, between Qianxiang Shiji and the shareholders of Qianxiang Tiancheng (incorporated by reference to Exhibit 10.12 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.13	Amended and Restated Exclusive Technical Service Agreement, dated as of December 23, 2010, between Qianxiang Shiji and Qianxiang Tiancheng (incorporated by reference to Exhibit 10.13 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.14	Amended and Restated Intellectual Property Right License Agreement, dated as of December 23, 2010, between Qianxiang Shiji and Qianxiang Tiancheng (incorporated by reference to Exhibit 10.14 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
4.15	Link224 Inc. 2013 Share Incentive Plan (incorporated by reference to Exhibit 4.39 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 23, 2013).
4.16	Share Purchase Agreement by and among the Registrant, Nuomi Holdings Inc. and Baidu Holdings Limited, dated as of August 23, 2013 (incorporated by reference to Exhibit 4.27 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 29, 2014).
4.17	Share Purchase Agreement by and among the Registrant, Nuomi Holdings Inc. and Baidu Holdings Limited, dated as of January 22, 2014 (incorporated by reference to Exhibit 4.28 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 29, 2014).
4.18	Power of Attorney, dated December 4, 2013, by Huang Hui (incorporated by reference to Exhibit 4.32 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 29, 2014).
4.19	Power of Attorney, dated December 4, 2013, by Liu Jian (incorporated by reference to Exhibit 4.33 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 29, 2014).
4.20	Spousal Consent issued by Jonathan Gentile Anderson, as the lawful spouse of Huang Hui, and Chen Yan, as the lawful spouse of Liu Jian, both dated December 4, 2013 (incorporated by reference to Exhibit 4.34 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 29, 2014).
4.21	Loan Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Jing Yang (incorporated by reference to Exhibit 4.32 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.22	Loan Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Jian Liu (incorporated by reference to Exhibit 4.33 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)

Exhibit Number	Description of Document
4.23	Business Operations Agreement, dated May 22, 2014, by and among Beijing Jingwei Sinan Information Technology Co., Ltd., Beijing Jingwei Zhihui Information Technology Co., Ltd., Jing Yang and Jian Liu (incorporated by reference to Exhibit 4.34 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.24	Power of Attorney, dated May 22, 2014, by Jing Yang (incorporated by reference to Exhibit 4.35 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.25	Power of Attorney, dated May 22, 2014, by Jian Liu (incorporated by reference to Exhibit 4.36 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.26	English translation of Spousal Consents, by Joseph Chen, as the lawful spouse of Jing Yang, and Yan Chen, as the lawful spouse of James Jian Liu, both dated May 22, 2014 (incorporated by reference to Exhibit 4.37 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.27	Exclusive Technology Support and Technology Service Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Beijing Jingwei Zhihui Information Technology Co., Ltd. (incorporated by reference to Exhibit 4.38 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.28	Intellectual Property Right License Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Beijing Jingwei Zhihui Information Technology Co., Ltd. (incorporated by reference to Exhibit 4.39 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.29	English translation of Equity Interest Pledge Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Jing Yang (incorporated by reference to Exhibit 4.40 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.30	English translation of Equity Interest Pledge Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Jian Liu (incorporated by reference to Exhibit 4.41 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.31	Equity Option Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Jing Yang (incorporated by reference to Exhibit 4.42 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.32	Equity Option Agreement, dated May 22, 2014, between Beijing Jingwei Sinan Information Technology Co., Ltd. and Jian Liu (incorporated by reference to Exhibit 4.43 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.33	English translation of Framework Purchase Agreement, dated October 28, 2014, by and among the Registrant, Beijing Wole Information Technology Co., Ltd., Jian Liu, Hui Huang, Guanzhou Qianjun Internet Technology Co., Ltd. and Tianjin Jinhu Media Co., Ltd. (incorporated by reference to Exhibit 4.44 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)

Exhibit Number	Description of Document
4.34	English translation of Amendment to Framework Purchase Agreement, dated December 1, 2014, by and among the Registrant, Beijing Wole Information Technology Co., Ltd., Jian Liu, Hui Huang, Guanzhou Qianjun Internet Technology Co., Ltd. and Tianjin Jinhu Media Co., Ltd. (incorporated by reference to Exhibit 4.45 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.35	English translation of Business Cooperation Agreement, dated December 1, 2014, by and among Beijing Wole Information Technology Co., Ltd., Guanzhou Qianjun Internet Technology Co., Ltd., Beijing Qianxiang Wangjing Technology Development Co., Ltd. and Tianjin Jinhu Media Co., Ltd. (incorporated by reference to Exhibit 4.46 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015
4.36	English translation of Service Agreement, dated December 1, 2014, by and among Beijing Wole Information Technology Co., Ltd., Guanzhou Qianjun Internet Technology Co., Ltd., Beijing Qianxiang Wangjing Technology Development Co., Ltd. and Tianjin Jinhu Media Co., Ltd. (incorporated by reference to Exhibit 4.47 to our annual report on Form 20-F (file no. 001-35147), filed with the SEC on April 16, 2015)
4.37*	Convertible Note and Series F Preferred Stock Purchase Agreement, dated July 28, 2015, by and among Social Finance, Inc., SoftBank Group International Limited, Renren Inc. and other parties therein.
4.38*	English translation of Framework Agreement on Transfer of Renren Games Business by Renren Inc., dated January 5, 2016, by and among Renren Inc., Link 224 Inc., Renren Game Hong Kong Limited and other parties therein.
8.1*	Subsidiaries of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 to our Registration Statement on Form F-1 (file no. 333-173548), as amended, initially filed with the SEC on April 15, 2011).
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP
15.2*	Consent of TransAsia Lawyers
15.3*	Consent of Maples and Calder
15.4*	Consent of Deloitte & Touche
101.INS*	XBRL Instance Document

Exhibit Number	Description of Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

---

* Filed herewith

** Furnished herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Renren Inc.

By: /s/ Joseph Chen
Name: Joseph Chen
Title: Chairman of the Board of Directors and Chief Executive Officer

Dated: May 16, 2016

RENREN INC.

Report and Consolidated Financial Statements
For the years ended December 31, 2013, 2014 and 2015

RENREN INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 and 2015

CONTENTS	PAGE(S)
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	F-2
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2014 AND 2015	F-3
CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015	F-5
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015	F-8
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015	F-9
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 2013, 2014 AND 2015	F-10
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015	F-12
ADDITIONAL INFORMATION-FINANCIAL STATEMENT SCHEDULE I	F-93

RENREN INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF RENREN INC.

We have audited the accompanying consolidated balance sheets of Renren Inc., and its subsidiaries, its variable interest entities and the subsidiaries of variable interest entities (collectively the "Group") as of December 31, 2014 and 2015, and the related consolidated statements of operations, comprehensive income (loss), changes in equity (deficit) and cash flows for each of the three years in the period ended December 31, 2015. Our audits also include the financial statement schedule included in Schedule I. These consolidated financial statements and financial statement schedule are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to such consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group's internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 16, 2016 expressed an adverse opinion on the Group's internal control over financial reporting because of two material weaknesses.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
May 16, 2016

RENREN INC.

CONSOLIDATED BALANCE SHEETS
(In thousands of US dollars, except share data and per share data, or otherwise noted)

	As of December 31,	
	2014	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 166,652	$ 56,226
Term deposits	494,065	-
Restricted cash	-	122,316
Short-term investments	29,384	2,619
Accounts and notes receivable (net of allowances of $2,946 and $3,252 as of December 31, 2014 and 2015, respectively)	11,599	4,044
Financing receivable (net of allowances of $nil and $3,556 as of December 31, 2014 and 2015, respectively)	6,285	144,457
Prepaid expenses and other current assets	33,235	50,321
Amounts due from related parties	1,001	16,484
Current assets held for sale	20,982	7,471
Total current assets	763,203	403,938
Long-term financing receivable (net of allowances of $nil and $27 as of December 31, 2014 and 2015, respectively)	-	15,273
Property and equipment, net	41,848	33,289
Long-term investments	319,656	810,990
Other non-current assets	21,691	2,313
Non-current assets held for sale	2,755	2,030
TOTAL ASSETS	$ 1,149,153	$ 1,267,833
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable (including accounts payable of the consolidated VIEs without recourse to Renren Inc. of $4,025 and $4,914 as of December 31, 2014 and 2015, respectively)	$ 4,127	$ 5,031
Short-term debt (including short-term debt of the consolidated VIEs without recourse to Renren Inc. of $nil and $6,919 as of December 31, 2014 and 2015, respectively)	-	106,919
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to Renren Inc. of $14,131 and $13,762 as of December 31, 2014 and 2015, respectively)	21,961	29,731
Payable to investors (including payable to investors of the consolidated VIEs without recourse to Renren Inc. of $nil and $46,219 as of December 31, 2014 and 2015, respectively)	-	48,893
Amounts due to related parties (including amount due to a related party of the consolidated VIEs without recourse to Renren Inc. of $37 and $36 as of December 31, 2014 and 2015, respectively)	37	36
Deferred revenue and advance from customers (including deferred revenue and advance from customers of the consolidated VIEs without recourse to Renren Inc. of $3,493 and $3,670 as of December 31, 2014 and 2015, respectively)	3,749	3,885
Income tax payable (including income tax payable of the consolidated VIEs without recourse to Renren Inc. of $3,153 and $5,652 as of December 31, 2014 and 2015, respectively)	9,217	6,118

RENREN INC.

CONSOLIDATED BALANCE SHEETS - continued
(In thousands of US dollars, except share data and per share data, or otherwise noted)

	As of December 31,	
	2014	2015
Current liabilities held for sale (including current liabilities held for sale of the consolidated VIEs without recourse to Renren Inc. of $6,341 and $7,729 as of December 31, 2014 and 2015, respectively)	6,953	8,138
Total current liabilities	46,044	208,751
Long-term liabilities:		
Long-term debt (including long-term debt of the Consolidated VIE's without recourse to Renren Inc. $nil and $nil as of December 31, 2014 and 2015, respectively)	-	122,072
Other non-current liabilities (including other non-current liabilities of the Consolidated VIE's without recourse to Renren Inc. of $nil and $nil as of December 31, 2014 and 2015, respectively)	730	7,622
Total non-current liabilities	730	129,694
TOTAL LIABILITIES	$ 46,774	$ 338,445
Commitments and contingency (Note 21)		
Equity:		
Class A ordinary shares, $0.001 par value, 3,000,000,000 shares authorized, 720,040,971 and 714,365,091 shares issued and outstanding as of December 31, 2014 and 2015, respectively	$ 720	$ 714
Class B ordinary shares, $0.001 par value, 500,000,000 shares authorized, 305,388,450 and 305,388,450 shares issued and outstanding as of December 31, 2014 and 2015, respectively	305	305
Additional paid-in capital	1,224,393	1,243,083
Accumulated deficit	(137,266)	(357,394)
Statutory reserves	6,712	6,712
Accumulated other comprehensive income	7,774	37,124
Total Renren Inc. shareholders' equity	1,102,638	930,544
Noncontrolling interest	(259)	(1,156)
Total equity	1,102,379	929,388
TOTAL LIABILITIES AND EQUITY	$ 1,149,153	$ 1,267,833

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

RENREN INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of US dollars, except share data and per share data, or otherwise noted)

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

RENREN INC.

CONSOLIDATED STATEMENTS OF OPERATIONS - continued
(In thousands of US dollars, except share data and per share data, or otherwise noted)

	Years ended December 31,		
	2013	2014	2015
Discontinued operations:			
(Loss) income from the operations of discontinued operations, net of tax (benefits) expenses of $(3,494), $(321) and $944 for the years ended December 31, 2013, 2014 and 2015, respectively	(34,600)	(27,194)	1,520
Gain on deconsolidation of the subsidiaries, net of tax of $nil for the years ended December 31, 2013, 2014 and 2015, respectively	132,665	489	-
Gain on disposal of equity method investment, net of tax expenses of $nil, $6,027 and $nil for the years ended December 31, 2013, 2014 and 2015, respectively	-	56,993	-
Income from discontinued operations, net of tax (benefits) expenses of $(3,494), $5,706 and $944 for the years ended December 31, 2013, 2014 and 2015, respectively	98,065	30,288	1,520
Net income (loss)	63,641	60,078	(221,657)
Net loss attributable to the noncontrolling interest	92	382	1,529
Net (loss) income from continuing operations attributable to Renren Inc.	(34,332)	30,172	(221,648)
Net income from discontinued operations attributable to Renren Inc.	98,065	30,288	1,520
Net income (loss) attributable to Renren Inc.	$ 63,733	$ 60,460	$ (220,128)

RENREN INC.

CONSOLIDATED STATEMENTS OF OPERATIONS - continued
(In thousands of US dollars, except share data and per share data, or otherwise noted)

	Years ended December 31,		
	2013	2014	2015
Net (loss) income per share:			
Net (loss) income per share from continuing operations attributable to Renren Inc. shareholders:			
Basic	$ (0.03)	$ 0.03	$ (0.22)
Diluted	$ (0.03)	$ 0.03	$ (0.22)
Net income per share from discontinued operations attributable to Renren Inc. shareholders			
Basic	$ 0.09	$ 0.03	$ 0.00
Diluted	$ 0.09	$ 0.03	$ 0.00
Net income (loss) per share attributable to Renren Inc. shareholders:			
Basic	$ 0.06	$ 0.06	$ (0.22)
Diluted	$ 0.06	$ 0.06	$ (0.22)
Weighted average number of shares used in calculating net (loss) income per share from continuing operations attributable to Renren Inc. shareholders:			
Basic	1,118,091,879	1,059,446,436	1,019,378,556
Diluted	1,118,091,879	1,067,631,709	1,019,378,556
Weighted average number of shares used in calculating net income per share from discontinued operations attributable to Renren Inc. shareholders:			
Basic	1,118,091,879	1,059,446,436	1,019,378,556
Diluted	1,130,739,922	1,067,631,709	1,027,236,202

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

RENREN INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands of US dollars, except share data and per share data, or otherwise noted)

	Years ended December 31,		
	2013	2014	2015
Net income (loss)	$ 63,641	$ 60,078	(221,657)
Other comprehensive income (loss), net of tax:			
Foreign currency translation	4,805	(5,039)	(7,777)
Net unrealized gain on available-for-sale investments, net of tax of $nil for the years ended December 31, 2013, 2014 and 2015, respectively	183,932	13,223	40,695
Transfer to statements of operations of realized gain on available-for-sale securities, net of tax of $nil for the years ended December 31, 2013, 2014 and 2015, respectively	(55,768)	(175,191)	(3,568)
Transfer to statements of operations as a result of other-than-temporary impairment of short-term investments, net of tax of $nil	2,098	-	-
Other comprehensive income (loss)	135,067	(167,007)	29,350
Comprehensive income (loss)	198,708	(106,929)	(192,307)
Less: Comprehensive loss attributable to noncontrolling interest	92	382	1,529
Comprehensive income (loss) attributable to Renren Inc.	$ 198,800	$ (106,547)	$ (190,778)

See the accompanying notes to consolidated financial statements.

RENREN INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands of US dollars, except share data and per share data, or otherwise noted)

	Class A ordinary shares		Class B ordinary shares		Treasury shares		Additional paid-in capital	Subscription receivable	Accumulated deficit	Statutory reserves	Accumulated other comprehensive income	Total Renren Inc.'s equity	Non-controlling interest	Total equity
	Shares	Amount	Shares	Amount	Shares	Amount								
Balance at January 1, 2013	729,848,742	$ 730	402,680,117	$ 403	-	-	$1,319,044	$ (229)	$ (261,459)	$ 6,712	$ 39,714	$ 1,104,915	$ 215	$1,105,130
Stock-based compensation	-	-	-	-	-	-	16,138	-	-	-	-	16,138	-	16,138
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	135,067	135,067	-	135,067
Net income	-	-	-	-	-	-	-	-	63,733	-	-	63,733	(92)	63,641
Exercise of share option and restricted shares vesting	16,763,199	17	2,708,333	2	-	-	4,013	-	-	-	-	4,032	-	4,032
Repurchase of ordinary shares	(56,635,569)	(57)	-	-	-	-	(55,517)	-	-	-	-	(55,574)	-	(55,574)
Transfer Class B shares to Class A shares	100,000,000	100	(100,000,000)	(100)	-	-	-	-	-	-	-	-	-	-
Bad debt provision of share subscription receivables	-	-	-	-	-	-	-	229	-	-	-	229	-	229
Receipt of repayment from shareholder	-	-	-	-	-	-	1,605	-	-	-	-	1,605	-	1,605
Balance at December 31, 2013	789,976,372	$ 790	305,388,450	$ 305	-	-	$1,285,283	-	$ (197,726)	$ 6,712	$ 174,781	$ 1,270,145	$ 123	$1,270,268
Stock-based compensation	-	-	-	-	-	-	23,604	-	-	-	-	23,604	-	23,604
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	(167,007)	(167,007)	-	(167,007)
Net income	-	-	-	-	-	-	-	-	60,460	-		60,460	(382)	60,078
Exercise of share option and restricted shares vesting	10,792,736	11	-	-	-	-	2,748	-	-	-	-	2,759	-	2,759
Repurchase of ordinary shares	(80,728,137)	(81)	-	-	-	-	(87,242)	-	-	-	-	(87,323)	-	(87,323)
Balance at December 31, 2014	720,040,971	$ 720	305,388,450	$ 305	-	-	$1,224,393	-	$ (137,266)	$ 6,712	$ 7,774	$ 1,102,638	$ (259)	$1,102,379
Stock-based compensation	-	-	-	-	-	-	28,241	-	-	-	-	28,241	-	28,241
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	29,350	29,350	-	29,350
Net income	-	-	-	-	-	-	-	-	(220,128)	-	-	(220,128)	(1,529)	(221,657)
Exercise of share option and restricted shares vesting	5,236,230	5	-	-	-	-	1,362	-	-	-	-	1,367	-	1,367
Repurchase of ordinary shares	(10,912,110)	(11)	-	-	-	-	(10,281)	-	-	-	-	(10,292)	-	(10,292)
Purchase of noncontrolling interest in Jiehun China	-	-	-	-	-	-	119	-	-	-	-	119	(119)	-
Decrease in equity interest of Wanmen	-	-	-	-	-	-	(751)	-	-	-	-	(751)	751	-
Balance at December 31, 2015	714,365,091	$ 714	305,388,450	$ 305	-	-	$1,243,083	-	$ (357,394)	$ 6,712	$ 37,124	$ 930,544	$ (1,156)	$ 929,388

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

RENREN INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of US dollars, or otherwise noted)

	Years ended December 31,		
	2013	2014	2015
Cash flows from operating activities:			
Net income (loss)	$ 63,641	$ 60,078	(221,657)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Share-based compensation expense	16,138	21,649	28,241
Gain on deconsolidation of subsidiaries	(132,665)	(489)	-
(Gain) loss on disposal of equity method investment	-	(56,993)	1,924
Depreciation and amortization	19,188	18,488	8,935
Exchange (gain) loss on offshore accounts	(1,476)	2,277	174
Impairment on intangible assets	208	15,461	-
Impairment on equity method investments	23,025	-	4,258
Impairment on short-term investments	2,098	-	-
Impairment on goodwill	-	46,864	-
Impairment on long lived assets	90	-	-
Provision for doubtful accounts-accounts receivable	813	2,090	788
Provision for doubtful accounts- others	627	305	836
Provision for financing receivable losses	-	-	3,665
(Gain) loss on disposal of equipment	(86)	1,797	(988)
(Gain) loss on short-term investments and fair value change of derivatives	(56,022)	(139,265)	98,112
(Earnings) loss in equity method investments	(20,317)	(49,015)	3,019
Fair value change of put option	-	-	6,270
Changes in operating assets and liabilities:			
Accounts and notes receivable	1,631	(6,480)	7,613
Financing income receivable	-	-	(217)
Prepaid expenses and other current assets	(19,625)	(9,740)	(22,788)
Other non-current assets	(488)	3,164	19,313
Intercompany loan to Qianjun Technology (see Note 4.3)	-	21,831	-
Accounts payable	2,213	762	1,266
Amounts due from/to related parties	13,063	61,404	1,260
Accrued expenses and other current liabilities	3,861	(6,509)	1,090
Interest payable to investors	-	-	870
Other non-current liabilities	-	-	966
Deferred revenue and advance from customers	(848)	(1,195)	397
Other non-current liabilities	156	(152)	-
Income tax payable	1,054	1,614	(2,624)
Deferred income taxes	(8,472)	4,576	-
Profit distribution received from Japan Macro	19,158	63,917	9,235
Net cash (used in) provided by operating activities	(73,035)	56,439	(50,042)
Cash flows from investing activities:			
Restricted cash	-	-	(22,532)
Decrease (increase) in term deposits	58,235	(3,414)	493,471
Proceeds from financing receivable	-	-	126,535
Payments to provide financing receivable	-	-	(289,041)
Proceeds from sale of trading securities	-	-	63,822
Proceeds from sale of available-for-sale securities	118,958	415,528	62,704
Proceeds from sale of derivative financial instruments	959	80,861	2,580
Proceeds from principal return on Series 2012-A Senior Secured Sofi Loan Notes	1,353	1,370	984
Proceeds from sale of subsidiary, net of $168 cash disposed of	-	3,001	-
Proceeds from sale of equity method investment	-	46,484	94
Proceeds from capital withdrawal from equity method investees	-	74,721	60,279
Dividend received from trading securities	-	-	19

RENREN INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
(In thousands of US dollars, or otherwise noted)

	Years ended December 31,		
	2013	2014	2015
Dividend received from available-for-sale securities	-	1,050	157
Purchase of trading securities	-	-	(67,986)
Purchase of available-for-sale securities	(88,681)	(129,407)	(29,833)
Purchase of derivative financial instruments	(1,999)	(118,470)	(101,409)
Purchase of equity method investments, call option and warrant	(20,000)	(161,271)	(225,885)
Purchase of cost method investment	(116)	(26,969)	(179,262)
Purchase of long-term available-for-sale investments	-	(56,492)	(132,957)
Proceeds from disposal of equipment	338	386	1,084
Purchases of equipment and property	(29,077)	(8,028)	(806)
Purchases of intangible assets	(1,349)	(1,574)	(386)
Cash disposed of from deconsolidation of subsidiaries	(18,637)	-	-
Cash consideration received from disposition of Qingting	81	-	-
Loan to noncontrolling shareholder	-	-	(1,930)
Loan to related party	-	-	(4,775)
Proceeds from repayment of related party loan	-	-	4,775
Loans to third parties	-	(8,561)	(21,898)
Proceeds from repayment of third party loans	-	-	13,212
Net cash provided by (used in) investing activities	20,065	109,215	(248,984)
Cash flows from financing activities:			
Repurchase of ordinary shares	(55,575)	(76,462)	(10,292)
Deposits for share repurchase	(10,860)	-	-
Proceeds from exercise of share options	2,913	2,514	1,231
Contribution from nominee shareholders of Jiexi Haohe	1,605	-	-
Proceeds from the issuance of promissory note issued to Nuomi Inc.	60,884	-	-
Repayment of promissory note issued to Nuomi Inc.	-	(60,884)	-
Proceeds from investors	-	-	174,543
Payments to investors	-	-	(125,001)
Proceeds from short-term borrowings	-	-	107,134
Proceeds from long term borrowings	-	-	130,885
Restricted cash for short-term borrowing	-	-	(100,000)
Capital injection by noncontrolling shareholder	-	-	1,930
Net cash (used in) provided by financing activities	(1,033)	(134,832)	180,430
Net (decrease) increase in cash and cash equivalents	(54,003)	30,822	(118,596)
Cash and cash equivalents at beginning of year	207,438	154,308	183,025
Effect of exchange rate changes	873	(2,105)	(3,592)
Cash and cash equivalents at end of year	$ 154,308	$ 183,025	$ 60,837
Supplemental schedule of cash flows information:			
Interest paid	-	-	$ 2,793
Income taxes paid	$ 11	$ 11	$ 6,744
Schedule of non-cash activities:			
Payable for acquisition of property, plant and equipments included in accrued expenses and other liabilities	$ 319	-	$ 43
Acquisition of property, plant and equipments and other intangible assets through utilization of deposits	$ 15,246	$ 1,514	-
Repurchase of ordinary shares through utilization of deposits	-	$ 10,860	-

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

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Renren Inc. (the “Company”) was incorporated in the Cayman Islands. Through its social networking internet platform, the Company, its consolidated subsidiaries, variable interest entities (“VIEs”) and VIEs’ subsidiaries (collectively referred to as the “Group”) were primarily engaged in the operation of its social networking internet platform (“SNS”) through which it provides online advertising services and internet value-added services (“IVAS”) as well as the operation of financial services platforms to provide internet finance services.

During 2013 and 2014, the Company discontinued its social commerce services and online advertising services generated from its online social video platform through its deconsolidation of Nuomi holdings Inc. (“Nuomi Inc.”) and Guanzhou Qianjun Internet Technology Co., Ltd. (“Qianjun Technology”). As a result, the operations of Nuomi Inc. and Quinjun Technology were treated as discontinued operations during the years ended December 31, 2013 and 2014 (see Note 4).

Additionally, during 2015, the Company reached a resolution to dispose of its online gaming business (“Online Gaming”), which was subsequently sold in March 2016. The disposal of Online Gaming represents a strategic shift and has a major effect on the Company’s result of operations. Accordingly, assets, liabilities, revenues and expenses and cash flows related to the Online Gaming entities have been reclassified in the accompanying consolidated financial statements as discontinued operations for all periods presented. The consolidated balance sheets as of December 31, 2014 and 2015, consolidated statements of operations and consolidated statements of cash flows for the years ended December 31, 2013, 2014 and 2015 have been adjusted to reflect this change.

Beginning with the fourth quarter of 2014, the Company launched Renren Fenqi platform (“Renren Fenqi”), a financial service platform which provides financing to college students in China for making purchases on e-commerce platforms. From the first quarter of 2015, the Company started to provide credit financing to used automobile dealers and apartment rental financing to individuals and apartment agents. Additionally, during 2015, the Company also launched the Renren Licai platform (“Renren Licai”), a platform through which the Company identifies individual investors and transfers the creditors’ rights arising from aforementioned financing to individual investors.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

As of December 31, 2015, Renren Inc.'s subsidiaries, VIEs and VIEs' subsidiaries are as follows:

Name of Subsidiaries	Later of date of incorporation or acquisition	Percentage of Place of incorporation	legal ownership by Renren Inc.	Principal activities
Subsidiaries:				
CIAC/ChinaInterActiveCorp ("CIAC")	August 5, 2005	Cayman Islands	100%	Investment holding
Renren Wealth Inc.	March 7, 2011	Cayman Islands	100%	Investment holding
Link224 Inc.	May 31, 2011	Cayman Islands	100%	Investment holding
Renren Lianhe Holdings	September 2, 2011	Cayman Islands	100%	Investment holding
Wole Inc.	October 27, 2011	Cayman Islands	100%	Investment holding
JiehunChina Inc. ("JiehunChina")	June 14, 2011	Cayman Islands	100%	Investment holding
Renren Giant Way Limited ("Renren Giant Way")	May 17, 2012	Hong Kong	100%	Investment holding
Renren Finance, Inc.	December 15, 2014	Cayman Islands	100%	Investment holding
Renren Gongying Inc..	October 2, 2015	Cayman Islands	100%	Investment holding
Funall Technology Inc.	January 5, 2011	Cayman Islands	100%	Investment holding
Xin Ditu Holdings	September 7, 2011	Cayman Islands	100%	Investment holding
Renren Study Inc.	April 5, 2012	Cayman Islands	100%	Investment holding
Jingwei Inc. Limited	July 16, 2012	Cayman Islands	100%	Investment holding
Happy Link Corporation Limited	May 7, 2011	Hong Kong	100%	Investment holding
Renren Game HongKong Limited ("Game HK")	March 8, 2012	Hong Kong	100%	Investment holding
Jupiter Way Limited ("Jupiter Way").	July 16, 2012	Hong Kong	100%	Investment holding
Renren Game Japan Inc.	August 22, 2011	Japan	100%	Online games
Renren Game Korea Co., Ltd	September 30, 2011	Korea	100%	Online games
Funall Technology Development (Taiwan) Co., Ltd.	September 6. 2010	Taiwan	100%	Online games
Renren Game USA Inc. ("Game USA")	March 8, 2012	USA	100%	Online games
Appsurdity Inc.	September 7, 2012	USA	100%	Internet business
Qianxiang Shiji Technology Development (Beijing) Co., Ltd. ("Qianxiang Shiji")	March 21, 2005	PRC	100%	Investment holding
Beijing Woxiu Information Technology Co. Ltd. ("Beijing Woxiu")	October 27, 2011	PRC	100%	Investment holding
Renren Game Network Technology Development (Shanghai) Co., Ltd. ("Renren Network")	November 30, 2012	PRC	100%	Investment holding
Beijing Jiexun Shiji Technology Development Co., Ltd. ("Jiexun Shiji")	April 26, 2012	PRC	100%	Investment holding
Renren Huijin (Tianjin) Technology Co., Ltd. ("Huijin")	October 10, 2012	PRC	100%	Investment holding
Joy Interactive (Beijing) Technology Development Co., Ltd.	April 24, 2013	PRC	100%	Online games
Beijing Jingwei Sinan Information Technology Co., Ltd. ("Jingwei Sinan")	May 22, 2014	PRC	100%	Investment holding
Shanghai Renren Financial Rental Co., Ltd	May 25, 2015	PRC	100%	Internet business
Variable Interest Entities:				
Beijing Qianxiang Tiancheng Technology Development Co., Ltd. ("Qianxiang Tiancheng")	October 28, 2002	PRC	N/A	IVAS business
Shanghai Renren Games Technology Development Co., Ltd. ("Renren Games").	November 15, 2012	PRC	N/A	Online games
Jiexun Pinghe(Beijing) Technology Development Co.,Ltd. ("Jiexun Pinghe")	February 5, 2013	PRC	N/A	IVAS business
Beijing Jingwei Zhihui Information Technology Co., Ltd. ("Jingwei Zhihui")	March 19, 2014	PRC	N/A	Internet business
Guangzhou Xiuxuan Brokers Co., Ltd.	September 22, 2014	PRC	N/A	IVAS business
Beijing Renren Financial Services Investment Management Co., Ltd	May 20, 2015	PRC	N/A	Internet business
Shanghai Wangjing Investment Management Co., Ltd	April 20, 2015	PRC	N/A	Internet business
Subsidiaries of Variable Interest Entities:				
Beijing Qianxiang Wangjing Technology Development Co., Ltd. ("Qianxiang Wangjing")	November 11, 2008	PRC	N/A	Internet business
Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd. ("Shanghai Changda")	October 25, 2010	PRC	N/A	Internet business
Beijing Wole Shijie Information Technology Co., Ltd. ("Wole Shijie")	October 27, 2011	PRC	N/A	Technology development and service
Suzhou Sijifeng Internet Information Technology Development Co., Ltd.	March 22, 2012	PRC	N/A	Online games
Beijing Qilin Wings Technology Development Co., Ltd..	January 16, 2013	PRC	N/A	Internet business
Tianjin Joy Interactive Technology Development Co., Ltd..	March 29, 2013	PRC	N/A	Online games
Beijing Wanmen Education Technology Co., Ltd ("Wanmen")	May 19, 2014	PRC	N/A	Internet business
Beijing Zhenzhong Interactive Information Technology Co., Ltd	December 23, 2014	PRC	N/A	Internet business
Beijing Renren Quxue Technology Development Co., Ltd	August 28, 2015	PRC	N/A	Inactive
Shanghai Wangjing Factoring Co., Ltd	July 28, 2015	PRC	N/A	Factoring business

Renren Huyu (Hong Kong) Limited,	November 19, 2015	Hong Kong	N/A	Online games

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements

PRC regulations currently limit direct foreign ownership of business entities providing value-added telecommunications services, online advertising services, online game and internet services in the PRC where certain licenses are required for the provision of such services. To comply with these PRC regulations, the Company currently conducts substantially all of its businesses through three VIEs and their respective subsidiaries including Qianxiang Tiancheng, Renren Games, and Jingwei Zhihui. Qianxiang Tiancheng is mainly engaged in the provision of online advertising and IVAS. Renren Games is primarily engaged in the provision of online gaming. Jingwei Zhihui is primarily engaged in the provision of internet finance services.

Qianxiang Shiji, a wholly owned subsidiary of CIAC ("WFOE"), Renren Network, a wholly owned subsidiary of Game HK ("WFOE"), and Jingwei Sinan, a wholly owned subsidiary of Jupiter Way ("WFOE"), entered into a series of contractual arrangements with the VIEs that enable the Company to (1) have power to direct the activities that most significantly affects the economic performance of the VIEs, and (2) receive the economic benefits of the VIEs that could be significant to the VIEs. Accordingly, the Company is considered the primary beneficiary of the VIEs and has consolidated the VIEs' financial results of operations, assets and liabilities in the Company's consolidated financial statements. In making the conclusion that the Company is the primary beneficiary of the VIEs, the Company believes the Company's rights under the terms of the exclusive option agreement and power of attorney are substantive given the substantive participating rights held by SB Pan Pacific Corporation as it relates to operating matters, which provide it with a substantive kick out right.

More specifically, the Company believes the terms of the contractual agreements are valid, binding and enforceable under PRC laws and regulations currently in effect. In particular the Company also believes that the minimum amount of consideration permitted by the applicable PRC law to exercise the exclusive option does not represent a financial barrier or disincentive for the Company to currently exercise its rights under the exclusive option agreement. A simple majority vote of the Company's board of directors is required to pass a resolution to exercise the Company's rights under the exclusive option agreement, for which the consent from Mr. Joe Chen, who holds the most voting interests in the Company and is also the Company's chairman and CEO, is not required. The Company's rights under the exclusive option agreement give the Company the power to control the shareholders of the VIEs and thus the power to direct the activities that most significantly impact VIEs' economic performance. In addition, the Company's rights under the powers of attorney also reinforce the Company's abilities to direct the activities that most significantly impact the VIEs' economic performance. The Company also believes that this ability to exercise control ensures that the VIEs will continue to execute and renew service agreements and pay service fees to the Company. By charging service fees at the sole discretion of the Company, and by ensuring that service agreements are executed and renewed indefinitely, the Company has the rights to receive substantially all of the economic benefits from the VIEs.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

The VIEs hold the requisite licenses and permits necessary to conduct the Company's business under the current business arrangements.

The contractual agreements below provide the Company with the power to direct the activities that most significantly affect the economic performance of the VIEs and enable the Company to receive substantially all of economic benefits and absorb the losses of the VIEs.

(1) *Power of Attorney:* WFOEs hold irrevocable power of attorney executed by the legal owners of the VIEs to exercise their voting rights on, including but not limited to dividend declaration, all matters at meetings of the legal owners of the VIEs and through such power of attorney has the right to control the operations of the VIEs. The power of attorney for Qianxiang Tiancheng will remain in force for ten years until December 22, 2020, and will be automatically renewed upon the extension of the terms of the relevant business operations agreements until the earlier of the following events: (i) nominee loses his/her position in WFOEs or WFOEs issue a written notice to dismiss or replace nominee; and (ii) the business operations agreements among WFOEs, VIEs and VIEs' shareholders terminate or expire. The power of attorney for Renren Games became effective on November 30, 2012 and will remain effective as long as Renren Games exist. Neither of the shareholders of Renren Games has the right to terminate or revoke the power of attorney without the prior written consent of Renren Network. The power of attorney for Jingwei Zhihui became effective on May 22, 2014 and will remain effective as long as Jingwei Zhihui exist. Neither of the shareholders of Jingwei Zhihui has the right to terminate or revoke the power of attorney without the prior written consent of Jingwei Sinan.

(2) *Business Operations Agreement:* The business operations agreements specifically and explicitly grant WFOEs the principal operating decision making rights, such as appointment of the directors and executive management, of the VIEs.

The terms of the business operations agreements are ten years and will be extended automatically for another ten years unless WFOEs provide a 30-day advance written notice to VIEs and to each of VIEs' shareholders requesting not to extend the term three months prior to the expiration dates of December 22, 2020, November 29, 2022, and May 21, 2024, respectively. Neither VIEs nor any of VIEs' shareholders may terminate the agreements during the terms or the extensions of the terms.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

(3) *Exclusive Equity Option Agreement*: Under the exclusive equity option agreement, the WFOEs have the exclusive right to purchase the equity interests of the VIEs from the registered legal equity owners as far as PRC regulations permit a transfer of legal ownership to foreign ownership. The WFOEs can exercise the purchase right at any portion and any time in the 10-year agreement period.

Without the WFOEs' consent, VIEs' shareholders shall not transfer, donate, pledge, or otherwise dispose their equity shareholdings in VIEs in any way. The equity option agreement will remain in full force and effect until the earlier of: (i) the date on which all of the equity interests in VIEs have been acquired by the respective WFOE or its designated representative(s); or (ii) the receipt of the 30-day advance written termination notice issued by the respective WFOE to the shareholders of VIEs. The term of these agreements will be automatically renewed upon the extension of the term of the relevant exclusive equity option agreement.

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

The spouse of each of the shareholders of Renren Games has acknowledged that certain equity interests of Renren Games, held by and registered in the name of his/her spouse will be disposed of pursuant to the loan agreement, equity option agreement and equity interest pledge agreement of which they are respectively a party, and they will not take any action to interfere with such arrangement, including claiming that such equity interests constitute property or communal property between his/her spouse and himself/herself.

The spouse of each of the shareholders of Jingwei Zhihui has acknowledged that certain equity interests of Jingwei Zhihui, held by and registered in the name of his/her spouse will be disposed of pursuant to the loan agreement, equity option agreement and equity interest pledge agreement of which they are respectively a party, and they will not take any action to interfere with such arrangement, including claiming that such equity interests constitute property or communal property between his/her spouse and himself/herself.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

(5) *Exclusive Technical and Consulting Services Agreement*: The WFOEs and registered shareholders irrevocably agree that the WFOEs shall be the exclusive technology service provider to the VIEs in return for a service fee which is determined at the sole discretion of the WFOEs.

The term of each of agreement is ten years and will be extended automatically for another ten years unless terminated by the WFOEs. The WFOEs can terminate the agreement at any time by providing a 30-day prior written notice. VIEs are not permitted to terminate the agreements prior to the expiration of the terms by December 22, 2020, November 29, 2022 and May 21, 2024, respectively, unless the WFOEs fail to comply with any of its obligations under this agreement and such breach makes the WFOEs unable to continue to perform this agreement.

(6) *Intellectual Property License Agreement:* The WFOEs and registered shareholders agree that the WFOEs shall have the exclusive right to license its intellectual property rights to VIEs in return for a license fee. The license fee is determined at the discretion of the Company. The term of these agreements will be automatically renewed upon the extension of the term of the relevant intellectual property license agreement.

The term of the agreement will be extended for another five years with both parties' consents. The WFOEs may terminate the agreement at any time by providing a 30-day prior written notice. Any party may terminate the agreement immediately with written notice to the other party if the other party materially breaches the relevant agreement and fails to cure its breach within 30 days from the date it receives the written notice specifying its breach from the non-breaching party. The parties will review the agreement every three months and determine if any amendment is needed.

(7) *Loan Agreements:* Under loan agreements between WFOE and each of the shareholders of the respective VIEs, WFOE made interest-free loans to the shareholders of exclusively for the purpose of the initial capitalization and the subsequent financial needs of the VIEs. The loans can only be repaid with the proceeds derived from the sale of all of the equity interests in VIE to WFOE or its designated representatives pursuant to the equity option agreements. The term of each of these loans is ten years from the actual drawing down of such loans by the shareholders of VIE, and will be automatically extended for another ten years unless a written notice to the contrary is given by WFOE to the shareholders of VIE three months prior to the expiration of the loan agreements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

(8) *Equity Interest Pledge Agreement:* Shareholders of the VIEs have pledged all of their equity interests in the VIEs with their respective WFOEs and the WFOEs are entitled to certain rights to sell the pledged equity interests through auction or other means if the VIEs or the shareholders default in their obligations under other above-stated agreements.

These agreements are substantially the same, and that the equity interest pledge has become effective and will expire on the earlier of: (i) the date on which the VIE and its shareholders have fully performed their obligations under the loan agreements, the exclusive technical service agreement, the intellectual property right license agreement and the equity option agreements; (ii) the enforcement of the pledge by WFOE pursuant to the terms and conditions under this agreement to fully satisfy its rights under such agreements; or (iii) the completion of the transfer of all equity interests of VIE by the shareholders of VIE to another individual or legal entity designated by WFOE pursuant to the equity option agreement and no equity interest of VIE is held by such shareholders.

Risks in relation to the VIE structure

The Company and the Company's legal counsel believe that Qianxiang Shiji's, Renren Network's, and Jingwei Sinan's contractual arrangements with the VIEs are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce these contractual arrangements and if the shareholders of the VIE were to reduce their interest in the Company, their interests may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing the VIEs not to pay the service fees when required to do so. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

- Revoke the business and operating licenses of the WFOEs, the VIEs and their subsidiaries;
- Discontinue or restrict the operations of any related-party transactions among the WFOEs, the VIEs and their subsidiaries;
- Impose fines or other requirements on the WFOEs, the VIEs and their subsidiaries;
- Require the Company or the WFOEs, the VIEs and their subsidiaries to revise the relevant ownership structure or restructure operations; and/or
- Restrict or prohibit the Company's use of the proceeds of the additional public offering to finance the Company's business and operations in China.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

The Company's ability to conduct its business including online advertising, online gaming (discontinued after the Company's resolution to dispose of Online Gaming in 2015), online talent show, other internet value added services, social commerce services (discontinued after the Company's deconsolidation of Nuomi Inc. in October 2013), and internet finance services may be negatively affected if the PRC government were to carry out any of the aforementioned actions. As a result, the Company may not be able to consolidate the VIEs and the VIEs' subsidiaries in its consolidated financial statements as it may lose the ability to exert effective control over the VIEs and the VIEs' subsidiaries and shareholders, and it may lose the ability to receive economic benefits from the VIEs and the VIEs' subsidiaries.

Certain shareholders of the VIEs are also shareholders of the Company. The interests of the shareholders of the VIEs may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing the VIEs not to pay the service fees when required to do so. The Company cannot assure that when conflicts of interest arise, shareholders of the VIEs will act in the best interests of the Company or that conflicts of interests will be resolved in the Company's favor. Currently, the Company does not have existing arrangements to address potential conflicts of interest the shareholders of the VIEs may encounter in their capacity as beneficial owners and directors of the VIEs. The Company believes the shareholders of the VIEs will not act contrary to any of the contractual arrangements and the exclusive option agreements provide the Company with a mechanism to remove the current shareholders of the VIEs as beneficial shareholders of the VIEs should they act to the detriment of the Company. The Company relies on the current shareholders of VIEs whom also are directors and executive officers of the Company, to fulfill their fiduciary duties and abide by laws of Cayman Islands and act in the best interest of the Company or that conflicts will be resolved in the Company's favor. If the Company cannot resolve any conflicts of interest or disputes between the Company and the shareholders of the VIEs, the Company would have to rely on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.

The Company's ability to control the VIEs also depends on the power of attorney that Qianxiang Shiji, Renren Network and Jingwei Sinan have to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Company believes this power of attorney is legally enforceable but may not be as effective as direct equity ownership.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

The following financial statement balances and amounts of the Company's VIEs were included in the accompanying consolidated financial statements after elimination of intercompany balances and transactions between the offshore companies, WFOEs, VIEs and VIEs' subsidiaries. As of December 31, 2014 and 2015, the balance of the amount payable by the VIEs and their subsidiaries to the WFOEs related to the service fees were $2,264 and $172, respectively and was eliminated upon consolidation.

	As of December 31,	
	2014	2015
Cash and cash equivalents	$ 16,870	$ 15,359
Term deposits	16,117	-
Short-term investments	-	2,748
Accounts and notes receivable, net	11,580	4,044
Financing receivable, net	6,285	72,619
Prepaid expenses and other current assets	13,108	22,932
Amounts due from related parties	494	425
Current assets held for sale	15,687	3,917
Total current assets	80,141	122,044
Long-term financing receivable, net	-	15,273
Property and equipment, net	6,471	2,327
Long-term investments	2,460	18,852
Other non-current assets	2,174	1,195
Non-current assets held for sale	1,282	1,888
Total non-current assets	12,387	39,535
Total assets	$ 92,528	$ 161,579
Accounts payable	$ 4,025	$ 4,914
Short-term debt	-	6,919
Accrued expenses and other current liabilities	14,131	13,762
Payable to investors	-	46,219
Amounts due to related parties	37	36
Deferred revenue and advance from customers	3,493	3,670
Income tax payable	3,153	5,652
Current liabilities held for sale	6,341	7,729
Total current liabilities	31,180	88,901
Total liabilities	$ 31,180	$ 88,901

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

	Years ended December 31,		
	2013	2014	2015
Net revenue	$ 63,284	$ 46,012	$ 39,017
Loss from continuing operations	$ (64,329)	$ (66,467)	$ (68,991)
(Loss) income from discontinued operations	$ (26,824)	$ (26,025)	$ 4,302

	Years ended December 31,		
	2013	2014	2015
Net cash provided by operating activities	$ 11,820	$ 24,502	$ 34,652
Net cash used in investing activities	$ (7,457)	$ (20,696)	$ (102,061)
Net cash provided by financing activities	$ 8,133	-	$ 55,928

The VIEs contributed an aggregate of 98.8%, 98.6% and 94.9% of the consolidated net revenues for the years ended December 31, 2013, 2014 and 2015, respectively. As of the fiscal years ended December 31, 2014 and 2015, the VIEs accounted for an aggregate of 8.1% and 12.7%, respectively, of the consolidated total assets, and 66.7% and 26.3%, respectively, of the consolidated total liabilities. The assets not associated with the VIEs primarily consist of cash and cash equivalents and term deposits in offshore accounts, short-term investments, financing receivable and long-term investments.

There are no consolidated VIEs' assets that are collateral for the VIEs' obligations and can only be used to settle the VIEs' obligations. There are no creditors (or beneficial interest holders) of the VIEs that have recourse to the general credit of the Company or any of its consolidated subsidiaries. There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests, which require the Company or its subsidiaries to provide financial support to the VIEs. However, if the VIEs ever need financial support, the Company or its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to its VIEs through loans to the shareholders of the VIEs or entrustment loans to the VIEs.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements – continued

Relevant PRC laws and regulations restrict the VIEs from transferring a portion of its net assets, equivalent to the balance of its statutory reserve and its share capital, to the Company in the form of loans and advances or cash dividends. Please refer to Note 23 for disclosure of restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Certain accounts and balances in the 2013 and 2014 consolidated financial statements and the related notes have been retrospectively adjusted to reflect the effect of discontinued operations as described in Note 4.

Principles of consolidation

The consolidated financial statements of the Company include the financial statements of Renren Inc., its subsidiaries, its VIEs and VIEs' subsidiaries. All inter-company transactions and balances are eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses in the financial statements and accompanying notes. Significant accounting estimates reflected in the Company's consolidated financial statements include, but are not limited to, revenue recognition, allowance for financing receivable, allowance for doubtful accounts, share-based compensation, deferred tax valuation allowance, income taxes, impairment of goodwill and indefinite-lived intangible assets, fair value of derivative financial instruments and long-term available-for-sale investments, and impairment of long-term and short-term investments.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand.

Term deposits

Term deposits are classified as held-to-maturity investments and carried at amortized cost. The term deposits mature within one year and are subject to penalty for early redemption before their maturity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Restricted cash

Restricted cash consists of (i) the cash deposit used to secure debt borrowings of the Company which is expected to be released in accordance with the debt agreement, and (ii) cash received from the short-term debt that is restricted as to withdrawal and usage until the maturity of the short-term debt (see Note 12).

Fair value

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the hierarchy within which the fair value measurement in its entirety falls is based upon the lowest level of input that is significant to the fair value measurement as follows:

- Level 1-inputs are based upon unadjusted quoted prices for identical assets or liabilities traded in active markets.
- Level 2-inputs are based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3-inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments

(1) Short-term investments

The Company's short-term investments comprise of marketable securities which are classified as trading and available-for-sale, and derivative financial instruments that are regarded as assets. The trading investments are reported at fair values with the changes in fair values of those investments recognized as gain or loss. The available-for-sale investments are reported at fair values with the unrealized gains or losses recorded as accumulated other comprehensive income in equity. The Company's derivative financial instruments are measured at fair value. The changes in fair values of those derivative instruments are recognized as gain or loss if such derivative instruments are not qualified for hedge accounting.

The Company reviews its available-for-sale short-term investments for other-than-temporary impairment ("OTTI") based on the specific identification method. The Company considers available quantitative and qualitative evidence in evaluating the potential impairment of its short-term investments. If the cost of an investment exceeds the investment's fair value, the Company considers, among other factors, general market conditions, expected future performance of the investees, the duration and the extent to which the fair value of the investment is less than the cost, and the Company's intent and ability to hold the investment. The Company separates the amount of the OTTI into the amount that is credit related (credit loss component) and the amount due to all other factors. The credit loss component is recognized in earnings, which represents the difference between a security's amortized cost basis and the discounted present value of expected future cash flows. The amount due to other factors is recognized in the consolidated statements of comprehensive income (loss) if the entity neither intends to sell and will not more likely than not be required to sell the security before recovery. The difference between the amortized cost basis and the cash flows expected to be collected is accreted as interest income.

(2) Long-term investments

Equity method investments

Equity investment in common stock or in-substance common stock of an entity where the Company can exercise significant influence, but not control, is accounted for using the equity method. An investment in in-substance common stock is an investment in an entity that has risk and reward characteristics that are substantially similar to that entity's common stock. The Company considers subordination, risks and rewards of ownership and obligation to transfer value when determining whether an investment in an entity is substantially similar to an investment in that entity's common stock.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments - continued

(2) Long-term investments - continued

Equity method investments - continued

Under the equity method, the investment is initially recorded at cost and adjusted for the Company's share of undistributed earnings or losses of the investee. Investment losses are recognized until the investment is fully written down as the Company does not guarantee the investee's obligations nor it is committed to provide additional funding.

When the Company's carrying value in an equity method affiliated company is reduced to zero, no further losses are recorded in the Company's consolidated financial statements unless the Company guaranteed obligations of the affiliated company or has committed additional funding. When the affiliated company subsequently reports income, the Company will not record its share of such income until it exceeds the amount of its share of losses not previously recognized.

The management regularly evaluates the impairment of the equity investment based on performance and the financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financings, projected and historical financial performance, cash flow forecasts and financing needs. An impairment charge is recorded when the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than-temporary.

Warrants and call options

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

Cost method investments

For equity investments in an investee that are not considered debt securities or equity securities that have readily determinable fair values and over which the Company neither has significant influence nor control, the Company carries the investment at cost and recognizes income as any dividends declared from distribution of investee's earnings. The Company reviews the cost method investments for impairment whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable. An impairment loss is recognized in earnings equal to the difference between the investment's cost and its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value of the investment would then become the new cost basis of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments - continued

(2) Long-term investments - continued

Held-to-Maturity investment

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

Available-for-sale investment

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

Accounts and notes receivable and allowance for doubtful accounts

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

Financing receivable

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financing receivable - continued

Due to limitations imposed by PRC laws and regulations, the Company appointed a senior management member (the "Intermediary") to act as an intermediary to facilitate certain financing services for its internet finance business (the "Intermediary Business Model"). Under the Intermediary Business Model, each individual or company is arranged to sign the financing agreement with the Intermediary. The Company provides funds to the Intermediary to finance the individuals or companies in accordance with the financing agreement. Immediately upon signing a financing agreement with an individual or a company, the Intermediary then transfers all of the creditor's rights arising from the financing agreement to the Company. Additionally, once investors are identified by the Company on Renren Licai, the Company transfers the underlying creditor's rights to the investors through the Intermediary. The Company, through the Intermediary, agrees to repurchase the creditor's rights from the investors prior to or upon the maturity of the investment period therefore acting as a principal in the transaction.

Under the Intermediary Business Model, the Intermediary is acting as an agent for the Company. As noted above, the funds provided to the individuals and companies are obtained from the Company who further agrees to take all the risk arising from the potential breaches of agreement by the individuals or the companies receiving financing. Additionally, the Intermediary's role is restricted to sign agreements with individuals and companies receiving financing, and investors and the Intermediary has no obligation to make any repayment to the investors once the creditors' rights are transferred. As such, the Intermediary never puts his own funds at risk and bears no risk in the arrangement and is considered an agent.

Allowance for financing receivable

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Nonaccrual financing receivable

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

Transfer of financial instruments

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

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

Property and equipment, net

Property and equipment, net is carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Building	46 years
Furniture and vehicles	5 years
Computer equipment and application software	2-3 years
Leasehold improvements	Over the lesser of the lease term or useful life of the assets

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets with indefinite lives

If an intangible asset is determined to have an indefinite life, it should not be amortized until its useful life is determined to be no longer indefinite. An intangible asset that is not subject to amortization is tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Such impairment test consists of the fair values of assets and their carrying value amounts and an impairment loss is recognized if and when the carrying amounts exceed the fair values. The estimates of fair values of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. Significant assumptions are inherent in this process, including estimates of discount rates. Discount rate assumptions are based on an assessment of the risk inherent in the respective intangible assets. For the years ended December 31, 2013, 2014 and 2015, the Company recorded impairment loss for indefinite-lived intangible assets from discontinued operations of $nil, $13,658 and $nil, and from continuing operations of $nil, $nil and $nil respectively.

Impairment of long-lived assets and intangible assets with definite lives

Long-lived assets, such as property and equipment and definite-lived intangible assets are stated at cost less accumulated depreciation or amortization. Depreciation and amortization is computed using the straight-line method.

The Company evaluates the recoverability of long-lived assets, including identifiable intangible assets, with determinable useful lives whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. The Company measures the carrying amount of long-lived asset against the estimated undiscounted future cash flows associated with it. Impairment exists when the sum of the expected future net cash flows is less than the carrying value of the asset being evaluated. Impairment loss is calculated as the amount by which the carrying value of the asset exceeds its fair value. Fair value is estimated based on various valuation techniques, including the discounted value of estimated future undiscounted cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. For the years ended December 31, 2013, 2014 and 2015, the Company recorded impairment loss for intangible assets with definite life from discontinued operations of $208, $1,496 and $nil, and from continuing operations of $nil, $307 and $nil, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations.

Goodwill is not amortized, but tested for impairment upon first adoption and annually, or more frequently if event and circumstances indicate that they might be impaired.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated using a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, and assumptions that are consistent with the plans and estimates being used to manage the Company's business, estimation of the long-term rate of growth for the Company's business, estimation of the useful life over which cash flows will occur, and determination of the Company's weighted average cost of capital. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for the reporting unit.

The Company performs a two-step goodwill impairment test. The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. In estimating the fair value of each reporting unit the Company estimates the future cash flows of each reporting unit, the Company has taken into consideration the overall and industry economic conditions and trends, market risk of the Company and historical information. The Company recorded $nil, $46,864 and $nil impairment charges of goodwill for the years ended December 31, 2013, 2014 and 2015, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

The Company recognizes revenues when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured.

Online advertising revenues

The Company provides advertisement placement services in its SNS platforms and online games. The Company primarily enters into pay-for-time contracts, under which the Company bills its customers based on the period of time to display the advertisements in the specific formats on specific web pages. The Company also enters into pay-for-volume arrangements, under which it bills its customers on the traffic volume basis, e.g. pay-per-click or pay-per-impression.

For pay-for-time contracts, revenue is recognized ratably over the period the advertising is displayed. For pay-for-volume contracts, revenue is recognized based on traffic volume tracked and the pre-agreed unit price.

Contractual billings in excess of recognized revenue and payments received in advance of revenue recognition are recorded as deferred revenues.

The Company principally enters into advertising placement contracts with advertisers' advertising agents and the Company offers volume rebates to certain advertisers' advertising agents. The Company recognizes estimated rebates as the reduction of revenues based on a systematic and rational allocation of the cost of honoring rebates earned and claimed to each of the underlying revenue transactions that results in progress by the customer toward earning the rebate or refund. Estimation of the total rebate is based on the estimates of the sales volume to be reached based on the historic experience of the Company. If amounts of future rebates cannot be reasonably estimated, a liability will be recognized for the maximum potential amount of the rebates.

Online talent show revenue ("Woxiu")

"Woxiu," which translates into "a show of your own" in Chinese, is a virtual stage the Company initially offers at 56.com platform and then at Renren platform after the completion of the disposition of 56.com (see Note 4.3), where grassroots musicians and performers can live-stream their performances and share with viewers. Fans of the performing user can chat along with the performer and other live audience and purchase consumable virtual items to show support to the performers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Online talent show revenue ("Woxiu") - continued

All "Woxiu" live video shows are available free of charge and fans can purchase virtual items or features on the platform with virtual currencies to support their favorite performers. The number of virtual currencies consumed is kept track of by the Company's operation system and will be deducted from users' accounts automatically when the virtual currencies are deemed as consumed. Revenue is recognized monthly based on the virtual currencies consumed. The Company pay the performers certain percentage of the amount of virtual currencies consumed. The Company recognize the total revenue on a gross basis, and the commission paid to the performers is recorded as cost of revenues. Similar to online game, the Company calculates the amount of revenues recognized for each unit of virtual currency consumed using moving weighted average method by dividing the total cumulative unrecognized deferred revenues by total unconsumed virtual currency.

Internet finance services

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

-Financing for installment sales to college students

The Company provides financing services to college students on installment sales, through which students can purchase products online on Renren Fenqi or from other third-party online merchants through the Renren Fenqi platform and make payments on a monthly basis in 1 to 24 installments. The Company charges fees earned on the financing. For products purchased by students from other third party online merchants, products are sold directly by those merchants. The Company does not purchase inventory and is not responsible to provide any services or warranties to the student once sales are made. The Company is acting as an agent and thus, records the related financing fees ratably over the life of the underlying financing. For products purchased by students from Renren Fenqi, the Company purchases the related goods from suppliers and has determined that it is merely acting as an agent facilitating the transactions between the students and sellers. Specifically, the Company is not responsible for providing any post-sale support to the students and is not able to make any changes to the product. As such, revenue related to the product sales is recorded net of the related cost and the Company records the related financing fees charged to the students ratably over the life of the underlying financing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

-Used car financing

The Company provides short-term financing service to used car dealers to fund the car dealers' cash needs for used car purchasing. The financing period is no more than 3 months and is secured by a pledge of the dealers' used cars with total value exceeding the principal of the financing. The Company charges an upfront service fee as well as financing income on a monthly basis.

-Other financing

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Online game revenues

The Company generates revenues from the provision of online game, primarily web-based online game services. The online games can be accessed and played by end users free of charge but the end users may choose to purchase in-game merchandise or premium features to enhance their game playing experience using virtual currencies. The end users can purchase virtual currencies by making direct online payments or purchasing prepaid cards ("PP-Cards"). The Company uses on-line payment services operated by independent service providers and pays a fee for such services. Net proceeds received from these service providers after deduction of service fees are recorded as deferred revenues. The Company sells PP-Cards through distributors at a discount to the face value of the PP-Card. As the Company does not have control over and generally does not know the ultimate selling price of the PP-Cards sold by the distributors, net proceeds received from distributors after deduction of sales discounts are recorded as deferred revenues.

End users consume virtual currencies by purchasing in-game merchandise or premium features online. The Company calculates the monetary value of each unit of virtual currency consumed using a moving weighted average method by dividing the total cumulative unrecognized deferred revenues by total unconsumed virtual currencies monthly in advance.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Online game revenues - continued

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

The amount associated with unused virtual currencies, which are without contractual expiration term, is carried as deferred revenues indefinitely as the Company was not able to reasonably estimate the amount of virtual currency which will be ultimately given up by the users.

The Company also entered into revenue sharing agreements with various third-party game developers, under which the Company provides links of online games developed by those third-party game developers on the Company's platforms while the third-party game developers operate the games, including providing game software, hardware, technical support and customer services. All of the web games developed by third-party game developers can be accessed and played by game players on the Company's platforms without downloading separate software. The Company views the game developers to be its customers and considers its responsibility under such agreements to be that of distribution and payment collection for such games. The Company primarily collects payments from game players in connection with the sale of in-game currencies and remits the agreed-upon percentages of the proceeds to the game developers with the residual portion of such proceeds being deferred for revenue recognition until the estimated consumption date (the estimated date by which in-game currencies are consumed within the games for purchase of in-game merchandise or premium features), which is typically within a short period of time after the purchase of the in-game currencies. Purchase of in-game currencies is not refundable unless there is unused in-game currency at the time a game is discontinued. Typically, a game will only be discontinued when the monthly revenue generated by a game becomes insignificant.

During 2015, the Company reached a resolution to dispose of the Online Gaming which was subsequently sold in March 2016. As such, online gaming revenues is included in discontinued operations for all periods presented (see Note 4.4).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Social commerce services

Between June 2010 and October 2013, the Company was engaged in social commerce services through nuomi.com. Third-party merchants agree to provide Nuomi users discounted prices when pre-agreed amount of Nuomi users sign up for a deal consisting of particular products, services or events provided by the merchants. The Company recognizes revenue for the difference of the amounts it collects from Nuomi users and the amount the Company pays to the third-party merchants. The revenues are recognized when all following criteria are met: (i) the number of participating users reaches the minimum requirement of the merchants; (ii) the participating users have made their payments to the Company; (iii) the Company have released the electronic coupons for the agreed discounted prices to the participating users; and (iv) The electronic coupons have been consumed by the participating users. The payments received for unused coupons are initially recognized as other accounts payables and part of such balance is recognized as revenues when the above criteria have been met.

The third party merchants are responsible and liable for the quality of the products or services provided. The Company holds the right to claim reimbursements from the third party merchants or deduct from the amounts payable to them.

The Company no longer provides social commerce services since October 2013, when the Company deconsolidated Nuomi due to the loss in controlling financial interest in Nuomi (see Note 4.1).

Cost of revenues

Cost of revenues consists of costs directly related to online advertising and Woxiu revenues as well as costs incurred related to the internet financing operations which mostly include interest expenses paid to investors on Renren Licai as well as provisions for financing receivables losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Business taxes

The Company's PRC subsidiaries and VIEs are subject to business taxes at the rate of 3.36% for wireless value added services ("WVAS") revenue, 5.6% for games revenue and 8.6% for advertising revenue before a pilot value-added tax ("VAT") reform program was officially launched on January 1, 2012 ("Pilot Program") by the Chinese State Council. Businesses in the Pilot Program would pay VAT instead of business tax. The Company reports revenue net of business taxes. Business taxes deducted in arriving net revenue during 2013, 2014 and 2015 were $1, $nil and $25, respectively.

Value added taxes

On January 1, 2012, the Chinese State Council officially launched a pilot value-added tax ("VAT") reform program ("Pilot Program"), applicable to businesses in selected industries. Businesses in the Pilot Program would pay VAT instead of business tax. The Pilot Program initially applied only to transportation industry and "modern service industries" ("Pilot Industries") in Shanghai and subsequently was expanded to ten other provinces and municipalities between August and December 2012. Since September 1, 2012, certain revenue generated from providing services which were previously subject to business tax became subject to VAT and related surcharges by various Chinese local tax authorities at rates ranging from 6.72% to 6.78%. VAT is also reported as a deduction to revenue when incurred and amounted to $3,610, $2,356 and $1,217 for the years ended December 31, 2013, 2014 and 2015, respectively. Entities that are VAT general taxpayers are allowed to offset qualified input VAT paid to suppliers against their output VAT liabilities. Net VAT balance between input VAT and output VAT is recorded in the line item of accrued expense and other current liabilities on the face of consolidated balance sheet.

Income taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities.

Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the financial statements. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that a portion of or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Company did not recognize any income tax due to uncertain tax position or incur any interest and penalties related to potential underpaid income tax expenses for the years ended December 31, 2013, 2014 and 2015, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial instruments include cash and cash equivalents, term deposits, restricted cash, accounts and notes receivable, financing receivable, amounts due from/to related parties, short-term investments, long-term financing receivable, long-term investments, accounts payable, short-term debt, payable to investors, long-term debt, written put option and liability-classified warrant.

The fair value of cash and cash equivalents, term deposits, restricted cash, accounts and notes receivable, amounts due from/to related parties, accounts payables, short-term debt and payable to investors approximate their carrying amounts reported in the consolidated balance sheets due to the short-term maturity of these instruments. The short-term investments, written put option and liability-classified warrant are carried at fair value. The carrying value of financing receivables approximates fair value which was estimated by discounting scheduled cash flows through the estimated maturity with estimated discount rates based on current offering rates of comparable loans with similar terms. The carrying value of long-term debt approximates fair value as its interest rates are at the same level of the current market yield for comparable debts. The cost method investments are carried at carrying value and held-to-maturity investments are carried at amortized cost. It is not practical to estimate the fair value of such investments because of the lack of quoted market price and the inability to estimate fair value without incurring excessive costs.

Research and development expenses

Research and development expenses are primarily incurred for development of new services, features and products for the Company's SNS, online games, internet finance business as well as further improve the Company's technology infrastructure to support these businesses. The Company has expensed all research and development costs when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currency translation

The functional and reporting currency of the Company is United States dollar ("US dollar"). The financial records of the Company's subsidiaries and VIEs located in the PRC, Japan, Taiwan, Hongkong and Korea are maintained in their local currencies, Renminbi ("RMB"), Japanese Yen ("JPY"), New Taiwan Dollar ("TWD"), Hong Kong Dollar ("HKD") and Korea Won ("KRW"), respectively, which are also the functional currencies of these entities.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the statements of operations.

The Company's entities with functional currency of RMB, TWD, HKD, KRW and JPY, translate their operating results and financial positions into US dollar, the Company's reporting currency. Assets and liabilities are translated using the exchange rates in effect on the balance sheet date. Equity amounts are translated at historical exchange rates. Revenues, expenses, gains and losses are translated using the average rates for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component in the statements of comprehensive (loss) income.

Comprehensive (loss) income

Comprehensive (loss) income includes net income or loss, unrealized gain (loss) on short-term investments, long-term available-for-sale investments and foreign currency translation adjustments and is reported in the consolidated statements of comprehensive (loss) income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based compensation

Share-based payment transactions with employees, such as share options are measured based on the grant date fair value of the equity instrument. The Company recognizes the compensation costs net of estimated forfeitures using the straight-line method, over the applicable vesting period. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of stock compensation expense to be recognized in future periods. Share options granted to employees with market conditions attached are measured at fair value on the grant date and are recognized as the compensation costs over the estimated requisite service period, regardless of whether the market condition has been met.

Share awards issued to non-employees are measured at fair value at the earlier of the commitment date or the date the service is completed and recognized over the period the service is provided.

A change in any of the terms or conditions of share options is accounted for as a modification of stock options. The Company calculates the incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, the Company recognizes incremental compensation cost in the period the modification occurred. For unvested options, the Company recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

Earnings per share

Basic earnings (loss) per ordinary share is computed by dividing net income (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per ordinary share reflect the potential dilution that could occur if securities were exercised or converted into ordinary shares. The Company had stock options, which could potentially dilute basic earnings per share in the future. For market-based stock awards, the options are included in the computation of diluted earnings per share if the market condition has been met at the end of reporting period. To calculate the number of shares for diluted income per share, the effect of share options is computed using the treasury stock method. Potential ordinary shares in the diluted net loss per share computation are excluded in periods of losses from continuing operations as their effect would be anti-diluted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accounting pronouncements newly adopted

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent accounting pronouncements not yet adopted

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

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

- Step 1: Identify the contract (s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent accounting pronouncements not yet adopted - continued

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent accounting pronouncements not yet adopted - continued

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

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

The new guidance makes targeted improvements to existing US GAAP by:

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent accounting pronouncements not yet adopted - continued

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

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the guidance is permitted. In transition, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the impact on its consolidated financial statements of adopting this guidance.

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

3. SIGNIFICANT RISKS AND UNCERTAINTIES

Foreign currency risk

The RMB is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. Cash and cash equivalents of the Company included aggregate amounts of $22,311 and $28,962 at December 31, 2014 and 2015, respectively, which were denominated in RMB.

Concentration of credit risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash, cash equivalents, term deposits, short-term investment, accounts receivable, financing receivable and amounts due from related parties. The Company places their cash, cash equivalents, term deposits and short-term investment, with financial institutions with high-credit ratings and quality. The Company conducts credit evaluations of customers in online advertising and internet finance business, and requires collateral or other security from the customers for certain of the financing receivable as described in Note 6.

There were no customers that accounted for 10% or more of total net revenue for the years ended December 31, 2013, 2014 and 2015.

There were no customers who accounted for 10% or more of accounts receivables or financing receivables as of December 31, 2014 and 2015.

4. DISCONTINUED OPERATIONS

4.1 Deconsolidation of Nuomi Inc. and its subsidiaries

Nuomi Inc. and its subsidiaries (collectively the "Nuomi") primarily provided deep-discount localized social commerce services and products through Nuomi.com to Nuomi users. Entertainment, dining, health and beauty services made up the majority of its social commerce deals.

On August 23, 2013, the Company, Baidu Holdings Limited ("Baidu") and Nuomi Inc., entered into a share purchase agreement whereby Baidu would purchase the newly issued shares of Nuomi Inc.. On a fully-diluted basis, upon the completion of the transaction on October 26, 2013, the Company's ownership of Nuomi Inc. was reduced to 31.61%. As a result, from October 26, 2013, the Company no longer retained power of control over Nuomi and accordingly deconsolidated Nuomi's financial statements from the Company's consolidated financial statements.

On October 26, 2013, the Company used equity method to account for the investment in Nuomi Inc at value of $63,626, which represented fair value of 31.61% equity interest in Nuomi Inc. and was determined by the Company with the assistance of an independent valuation firm. On the same date, the Company calculated a gain on loss of control of $132,821, which was recorded as "gain on deconsolidation of the subsidiaries" in the statements of operations. The gain on such deconsolidation is calculated as follows:

	As of October 26, 2013
Fair value of 31.61% shares in Nuomi Inc.	$ 63,626
Less: Cash and cash equivalents	18,310
Prepaid expenses and other current assets	26,417
Property and equipment, net	1,318
Other non-current assets	190
Accounts payable	(28,467)
Accrued expenses and other current liabilities	(10,957)
Amounts due to Renren Inc.	(74,825)
Deferred revenue	(1,181)
Gain on deconsolidation of Nuomi Inc	$ 132,821

In February 2014, the Company sold the remaining 31.61% equity interest in Nuomi Inc. to Baidu in the amount of $68,066 with a gain of $56,993 (see Note 7). Therefore, the Company treated the operations of Nuomi as discontinued operations for the year ended December 31, 2013.

4. DISCONTINUED OPERATIONS- continued

4.2 Deconsolidation of Beijing Qingting Technology Development Co. Ltd ("Qingting")

Beijing Qingting Technology Development Co. Ltd., or Qingting was jointly established by the Company and eLong Inc, or eLong in April 2011 to operate travel interest-related fengche.com website in China. The Company held 65% equity interest of Qingting until February 2012, when the Company purchased the remaining 35% equity interest of Qingting from eLong with total cash consideration of $555. As a result, Qingting became a 100% owned subsidiary of the Company as of December 31, 2012.

On October 31, 2013, the Company sold 60% equity interest of Qingting to an independent individual for a cash consideration of $81. Upon the completion of the transaction on October 31, 2013, the Company's ownership of Qingting was reduced to 40%. As a result, from November 1, 2013, the Company no longer retained power of control over Qingting and accordingly deconsolidated Qingting's financial statements from the Company's consolidated financial statements.

On October 31, 2013, the Company used the equity method to account for the investment in Qingting at value of $160, which represents fair value of 40% the equity interest retained in Qingting. On the same date, the Company calculated a loss on loss of control of $156, which is recorded as a deduction of "gain on deconsolidation of the subsidiaries" in the statements of operations. The loss on such deconsolidation is calculated as follows:

	As of October 31, 2013
Cash consideration received	$ 81
Fair value of 40% investment in Qingting	160
Less: Cash and cash equivalents	328
Prepaid expenses and other current assets	5
Property and equipment, net	64
Loss on deconsolidation of Qingting	$ (156)

The operations of Qingting were treated as discontinued since October 2013.

4. DISCONTINUED OPERATIONS- continued

4.3 Deconsolidation of Qianjun Technology

On October 28, 2014, the Company, the nominee shareholder of Qianjun Technology and a subsidiary of Sohu.com ("Sohu"), entered into a share purchase agreement, whereby Sohu would acquire 100% ownership of Qianjun Technology in the amount of $25,000, of which $21,831 was related to the repayment of intercompany loan provided by the Company to Qianjun Technology.

Upon the completion of the change of commerce registration, on December 1, 2014, the Company no longer retained power of control over Qianjun Technology and accordingly deconsolidated Qianjun Technology's financial statement from the Company's consolidated financial statements.

On December 1, 2014, the Company calculated a gain regarding such disposition as follows:

	Note	As of December 1, 2014
The proceeds		$ 25,000
Less: The repayment of intercompany loan provided by the Company		21,831
Net consideration		3,169
Less: Cash and cash equivalents		168
Other current assets		3,654
Property and equipment, net		2,347
Intangible assets, net		11,509
Goodwill		13,652
Other non-current assets		78
Income tax payable		(426)
Current liabilities		(8,426)
Amount due to Sohu related to the repayment of intercompany loan		(21,831)
Net assets of Qianjun Technology		725
Less: Transaction related cost	(i)	1,955
Gain on deconsolidation of Qianjun Technology		$ 489

(i) The transaction related cost represents the incremental cost resulting from the acceleration of the vesting of the nonvested restricted shares, which were granted to the employee of Qianjun Technology, to be fully vested on the disposition day (see Note 17).

Out of total consideration of $25,000, $20,000 was received from Sohu in 2014 and the remaining was received in 2015 (see Note 7).

4. DISCONTINUED OPERATIONS- continued

4.4 Disposition of Online Gaming

On November 19, 2015, the Company reached the resolution to dispose of its Online Gaming which was subsequently sold in March 2016 for a total consideration of $10,000. The disposal of the Online Gaming represents a strategic shift and has a major effect on the Company's result of operations. Accordingly, assets, liabilities, revenues and expenses and cash flows related to the Online Gaming entities have been reclassified in the accompanying consolidated financial statements as discontinued operations for all periods presented. Additionally, long-lived assets classified as held for sale as of December 31, 2015 were measured at the lower of their carrying amount or fair value less cost to sell.

The following table summarizes the carrying amounts of the major classes of assets and liabilities held for sale in the consolidated balance sheet as of December 31, 2014 and 2015:

	As of December 31,	
	2014	2015
Cash and cash equivalents	$ 16,373	$ 4,611
Accounts receivable, net	160	78
Prepaid expenses and other current assets	4,403	2,423
Amounts due from related parties	46	359
Current assets classified as held for sale	$ 20,982	$ 7,471
Property and equipment, net	$ 1,842	$ 247
Intangible assets, net	2	283
Long-term investment	758	1,399
Other non-current assets	153	101
Non-current assets classified as held for sale	$ 2,755	$ 2,030
Accounts payable	$ (1,374)	$ (1,307)
Accrued expenses and other current liabilities	(2,133)	(1,606)
Amount due to related parties	(266)	(1,637)
Deferred revenue and advance from customers	(3,168)	(3,338)
Income tax payable	(12)	(250)
Current liabilities classified as held for sale	$ (6,953)	$ (8,138)

The condensed cash flow of Online Gaming were as follows for the years ended December 31, 2013, 2014 and 2015:

	Years ended December 31,		
	2013	2014	2015
Net cash provided by operating activities	$ 7,841	$ 13,404	$ (10,164)
Net cash used in investing activities	$ (4,980)	$ (1,668)	$ (1,304)

RENREN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In thousands of US dollars, except share data and per share data, or otherwise noted)

4. **DISCONTINUED OPERATIONS- continued**

The operating results from discontinued operations included in the Company's consolidated statement of operations were as follows for the years ended December 31, 2013, 2014 and 2015.

	Years ended December 31,							
	2013				2014			2015
	Nuomi Inc.	Qingting	Qianjun Technology	Renren Games	Nuomi Inc.	Qianjun Technology	Renren Games	Renren Games
Major classes of line items constituting pretax profit (loss) of discontinued operations								
Net revenues	$ 19,319	-	$ 8,744	$ 83,897	-	$ 6,822	$ 36,286	$ 17,071
Cost of revenues	(1,171)	(9)	(14,416)	(21,310)	-	(15,361)	(13,309)	(9,426)
Selling, research and development, and general and administrative expenses	(46,560)	(950)	(8,543)	(54,188)	-	(11,018)	(16,534)	(6,362)
Impairment of intangible assets	-	-	-	(208)	-	(13,536)	(714)	-
Other income and expenses that are not major	34	-	11	(2,744)	-	1,963	(2,114)	1,181
(Loss) income from the operations of the discontinued operations, before income tax	(28,378)	(959)	(14,204)	5,447	-	(31,130)	3,615	2,464
Income tax benefit (expenses)	-	-	3,473	21	-	321	-	(944)
(Loss) income from the operations of the discontinued operations, net of tax	(28,378)	(959)	(10,731)	5,468	-	(30,809)	3,615	1,520
Gain (loss) on deconsolidation of the subsidiaries	132,821	(156)	-	-		489	-	-
Gain on disposal of equity method investment, net of tax	-	-	-	-	56,993	-	-	-
Gain (loss) from the discontinued operations, net of tax	$ 104,443	$ (1,115)	$ (10,731)	$ 5,468	$ 56,993	$ (30,320)	$ 3,615	$ 1,520

All notes to the accompanying consolidated financial statements have been retrospectively adjusted to reflect the effect of the discontinued operations, where applicable.

5. **ACCOUNTS AND NOTES RECEIVABLE**

Accounts and notes receivable consists of the following:

	As of December 31,	
	2014	2015
Accounts and notes receivable	$ 14,545	$ 7,296
Allowance of doubtful accounts	(2,946)	(3,252)
Accounts and notes receivable, net	$ 11,599	$ 4,044

Accounts and notes receivable mainly represent amounts earned under advertising contracts at the respective balance sheet dates. These amounts become billable according to the contract term.

5. ACCOUNTS RECEIVABLE - continued

Movement of allowance for doubtful accounts is as follows:

	As of December 31,		
	2013	2014	2015
Balance at beginning of year	$ 556	$ 1,143	$ 2,946
Charge to expenses	812	2,090	788
Transferring out as a result of deconsolidation of subsidiaries	(2)	(247)	-
Write-off of accounts receivable	(249)	-	-
Exchange difference	26	(40)	(482)
Balance at end of year	$ 1,143	$ 2,946	$ 3,252

6. FINANCING RECEIVABLE

Financing receivable consists of the following:

	As of December 31,	
	2014	2015
Current financing receivable		
Used car financing	-	$ 72,269
Financing for installment sales	6,285	27,702
Other financing	-	47,833
Net deferred origination costs	-	209
Less allowance for financing receivable	-	(3,556)
Current financing receivable, net	$ 6,285	$ 144,457
Long-term financing receivable		
Financing for installment sales	-	$ 3,112
Other financing	-	12,188
Less allowance for long-term financing receivable	-	(27)
Long-term financing receivable, net	-	$ 15,273

Financing receivable mainly represent both the principal and financing income receivable associated with the respective financing services expected to be collected from the individuals or companies receiving financing under the internet finance business at the respective balance sheet dates.

Used car financing are secured with pledged assets, which are used cars with value not less than the financing receivable. Other financing includes financing receivables related to rental financing provided to individuals referred by rental agents as well as micro cash financing to college students. Micro cash financing was not material in any of the periods presented.

6. FINANCING RECEIVABLE - continued

The following table presents nonaccrual financing receivable as of December 31, 2014 and 2015, respectively.

	As of December 31, 2014	As of December 31, 2015
Used car financing	-	$ 432
Financing for installment sales	-	2,977
Other financing	-	174
	-	$ 3,583

The following table presents the aging of financing receivable as of December 31, 2015.

	0-90 days aging	over 90 days aging	total financing receivable
Used car financing	$ 72,269	-	$ 72,269
Financing for installment sales	27,837	2,977	30,814
Other financing	59,847	174	60,021
	$ 159,953	$ 3,151	$ 163,104

The following table presents the aging of financing receivable as of December 31, 2014.

	0-90 days aging	over 90 days aging	total financing receivable
Financing for installment sales	$ 6,285	-	$ 6,285
	$ 6,285	-	$ 6,285

6. FINANCING RECEIVABLE - continued

Movement of allowance for financing receivable is as follows:

	As of December 31,	
	2014	2015
Balance at beginning of year	-	-
Charge to cost of revenues	-	(3,665)
Exchange difference	-	82
Balance at end of year	-	$ (3,583)

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	Note	As of December 31,	
		2014	2015
Advances to suppliers	(i)	1,087	799
Interest income receivable	(ii)	5,511	152
Prepaid expenses		4,200	4,194
Deposits		1,870	1,462
Amount due from Sohu in relation to the disposition of Qianjun Technology	(4.3)	5,000	-
Loan to third parties	(iii)	8,530	2,369
Receivable related to the disposition of equity method investment in Nuomi	(iv)	-	18,460
Funds receivable	(v)	1,478	12,220
Receivable from brokers	(vi)	-	4,879
Other current assets		5,559	5,786
Total		$ 33,235	$ 50,321

7. PREPAID EXPENSES AND OTHER CURRENT ASSETS - continued

(i) Advances to suppliers were mainly comprised of prepayment to suppliers for purchase of services in relation to advertising business. Advances to suppliers were non-interest bearing and short-term in nature.

(ii) Interest income receivable of $5,511 and $152 as of December 31, 2014 and 2015 were mainly related to the earned and accrued interest of the term deposits with financial institutions during the year.

(iii) As of December 31, 2015, loan to third parties mainly represented the loan to AutoGo Inc. (“AutoGo”). In November 2015, the Company entered into a loan agreement with AutoGo, pursuant to which a short-term interest-free loan of $1,800 was provided by the Company. The loan is expected to be repaid within eight months of the date of the loan agreement.

(iv) As described in Note 4.1, in February 2014, the Company sold the remaining 31.61% equity interest in Nuomi to Baidu in the amount of $68,066, of which $49,606 was received during the year ended December 31, 2014. The remaining balance of $18,460 was accounted for as “other non-current assets” as of December 31, 2014 (see Note 11) and “other current assets” as of December 31, 2015. The amount was subsequently collected in March 2016.

(v) Funds receivable mainly represents balances paid by individuals for repayments of financing on Renren Fenqi as well as amounts paid by investors for investments made on Renren Licai that are held at a third party electronic payment service provider as of December 31, 2014 and 2015. The balances were collected subsequent to year-end.

(vi) Receivable from brokers represents cash provided to brokers who hold the cash on behalf of the Company. The cash has not been used to purchase any securities and accordingly is recorded as a receivable.

8. SHORT-TERM INVESTMENTS

Short-term investments comprise of marketable securities which are classified as trading and available-for-sale, and derivative financial instruments that are regarded as assets.

Trading securities

The following is a reconciliation of the beginning and ending balances for trading securities during the year ended December 31, 2015. The Company did not have any trading securities as of and for the year ended December 31, 2014.

	As of December 31, 2014	Purchase	Sale	Dividends Received	Gains (losses)	Exchange loss	As of December 31, 2015
Equity securities	-	$ 20,781	$ 19,656	-	$ (837)	$ (24)	$ 264
Corporate bonds	-	23,470	22,722	19	6	(13)	$ 741
Funds	-	23,428	21,444	-	(71)	(57)	$ 1,856
Futures	-	307	-	-	(310)	-	$ (3)
Total	-	$ 67,986	$ 63,822	$ 19	$ (1,212)	$ (94)	$ 2,858

Available-for-sale securities

As of December 31, 2014 and 2015, the Company held following short-term available-for-sale securities investments:

		As of December 31, 2014				As of December 31, 2015		
	Note	Cost	Gross unrealized losses	Other-than -temporary impairment	Fair value	Cost	Gross unrealized gains(losses)	Fair value
Available-for-sale securities:								
Equity securities	(i)	$29,303	$ (1,493)	-	$27,810	-	-	-
Total		$29,303	$ (1,493)	-	$27,810	-	-	-

The following table provides additional information on the realized gains and losses in relation to the sales of available-for-sale securities for the years ended December 31, 2013, 2014, and 2015. For the purpose of determining gross realized gains or losses, the initial cost of securities sold was based on specific identification.

		Year ended December 31, 2013			Year ended December 31, 2014			Year ended December 31, 2015		
	Note	Proceeds	Initial costs	Gains	Proceeds	Initial costs	Gains	Proceeds	Initial costs	Gains
Equity securities	(i)	$ 81,456	$ 25,950	$ 55,506	$352,733	$177,633	$175,100	$ 62,704	$ 59,136	$ 3,568
Corporate bonds	(ii)	37,502	37,240	262	62,795	62,713	82	-	-	-
Total		$ 118,958	$ 63,190	$ 55,768	$415,528	$240,346	$175,182	$ 62,704	$ 59,136	$ 3,568

8. SHORT-TERM INVESTMENTS - continued

Available-for-sale securities - continued

(i) Equity securities

During the years ended December 31, 2013, 2014 and 2015, the Company purchased and sold several stocks and recorded $55,506, $175,100 and $3,568 of gain in the consolidated statements of operations. In addition, the Company received stock dividends of $1,050 and $157 in the years ended December 31, 2014 and 2015, respectively, and recognized these as realized gain of short-term investments.

(ii) Corporate bonds

During the year ended December 31, 2013, the Company purchased several corporate bonds at a cost of $39,782 and classified such corporate bonds as available-for-sale securities. A portion of corporate bonds was impaired because of the change of fair value and $2,098 was recognized as an impairment loss in accordance with the difference between the investment's cost and its fair value at December 31, 2013. During the year ended December 31, 2014, the Company sold all the Corporate bonds and recognized $82 as realized gain.

Derivative financial instruments

The Company used derivative financial instruments in the forms of interest rate swap contracts, interest rate swaption contracts and a series of equity contracts and included these derivative instruments in its trading portfolio.

Such derivative instruments were not designated or qualified as hedging instruments, and accordingly were accounted for by fair value at each period end through the statement of operations.

The following table provides additional information of the fair value of each financial instruments at year end and of the realized gains or losses during the reporting periods.

	Assets (Liability) Derivatives as of December 31,		Realized Gains/(Losses) for the years ended December 31,		
	2014	2015	2013	2014	2015
Derivatives not designated as hedging instruments:					
Interest rate swaption-2013 batch	-	-	(705)	(1,302)	-
Interest rate swaption-2014 batch	1,937	10	-	(38,383)	(1,927)
Interest rate swap	(363)	(249)	-	(363)	(63)
Short call	-	-	959	10,919	-
Long call	-	-	-	(6,141)	-
Short put	-	-	-	(1,697)	-
H-Share Index Call Option	-	-	-	-	(59,554)
FXI UP Call Option	-	-	-	-	(39,100)
Total	1,574	(239)	254	(36,967)	(100,644)

RENREN INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015
(In thousands of US dollars, except share data and per share data, or otherwise noted)

9. LONG-TERM INVESTMENTS

	Note	As of December 31, 2014(1)	As of December 31, 2015
Equity method investments:			
Social Finance Inc. (“SoFi”)	(i)	$ 67,490	235,920
Japan Macro Opportunities Offshore Partners, LP (“JMOOP”)	(ii)	59,860	-
Hayman Credes Offshore Fund, LP (“Hayman”)	(iii)	30,000	29,678
Rise Companies Corp. (“Rise”)	(iv)	16,025	15,144
Effective Space Solution (“ESS”)	(v)	4,730	-
Others	(vi)	47,908	91,975
Total equity method investments		226,013	372,717
Cost method investments:			
Hylink Advertising Co., Ltd. (“Hylink”)	(vii)	2,417	2,315
StoreDot Ltd. (“StoreDot”)	(viii)	10,001	10,001
GoGo Tech Holdings Limited (“GoGo”)	(ix)	8,100	16,100
Motif Investing Inc. (“Motif”)	(x)	-	40,000
LendingHome Corporation (“LendingHome”)	(xi)	-	65,843
Credit Shop Inc. (“Credit Shop”)	(xii)	-	15,000
Eunke Technology Ltd. (“Eunke”)	(xiii)	-	25,000
Others	(xiv)	8,869	31,456
Total cost method investments		29,387	205,715
Held-to-maturity investments:			
Series 2012-A Senior Secured Sofi Loan Notes.	(xv)	6,863	5,879
Available-for-sale investments:			
Snowball Finance Inc. (“Snowball”)	(xvi)	33,613	35,534
Eall Technology Limited (“Eall”)	(xvii)	17,879	20,829
268V Limited	(xviii)	-	98,782
Omni Prime Inc. (“Omni”)	(xix)	-	28,866
Zhu Chao Holding Company Limited (“Zhu Chao”)	(xx)	-	15,000
Others	(xxi)	5,000	26,767
Total available-for-sale investments		56,492	225,778
Warrant:			
Warrant of Snowball	(xvi)	901	901
Total long-term investments		$ 319,656	$ 810,990

9. LONG-TERM INVESTMENTS - continued

(1) In connection with the preparation of the Company's consolidated financial statements as of and for the year ended December 31, 2015, the Company determined that its investments in Snowball and Eall acquired in September and November 2014 which were accounted for as equity method investments should have been recorded as available for-sale investments as of December 31, 2014. Additionally, the Company also determined that its investment in Sirin Sarl, acquired in November 2014 and accounted for at cost, should have been recorded as an available-for-sale investment as of December 31, 2014. These errors had no material effect on the consolidated financial statements as of and for the year ended December 31, 2014. The Company has reclassified the amounts as of and for the year ended December 31, 2014 in its 2015 consolidated financial statements.

Equity method investments

(i) In September 2012, March 2014, January 2015, and October 2015, the Company entered into agreements to purchase 5,573,719 Series B Preferred Shares, 6,020,695 Series D Preferred Shares, 2,361,116 Series E Preferred Shares and 9,507,933 Series F Preferred Shares issued by SoFi at a price of $8.791258 per Series B Share, $3.453 per Series D Share, $9.4578 per Series E Share and $15.7763 per Series F Share with a total consideration of $242,120. The Company held 28.85% and 21.20% equity interest of SoFi as of December 31, 2014 and 2015, respectively and recognized its share of gain in SoFi of $2,028 and loss of $3,902 for the years ended December 31, 2014 and 2015, respectively.

(ii) In November 2011, February 2013 and January 2014, the Company invested $20,000, $20,000 and $40,000, respectively in JMOOP, which is a Cayman Islands exempted limited partnership, and served as a limited partner. Pursuant to subscription agreement of JMOOP, once the general partner and a prospective investor agreed on the terms and investment objectives, the investor will subscribe for the agreed amount and became a limited partner of JMOOP. The general partner will create a new tranche within the fund for the new limited partner’s monies, and commence the investing activities for this tranche. There are multiple tranches within JMOOP and there is no restriction on the maximum size of the fund. The general partner is not required to obtain existing partners’ consents for or notify the existing partners of the addition of new investors into the fund. Therefore, the Company is practically unable to track its percentage ownership regularly in the partnership’s capital. JMOOP reports the fair market value of the investment securities owned by the Company’s investment tranche on a monthly basis, and the Company recognizes the appreciation or depreciation on its investment in JMOOP based on such valuation report.

The Company recognized its share of gain of $29,290, $55,978 and $9,235 for the years ended December 31, 2013, 2014 and 2015, respectively and recognized capital distributions of $19,158, $84,057, and $69,095 in the years ended December 31, 2013, 2014, and 2015, respectively. In August 2015, the Company disposed off all its investments in JMOOP.

9. LONG-TERM INVESTMENTS - continued

Equity method investments - continued

JMOOP's audited financial statements for the years ended December 31, 2013 and 2014 as well as the unaudited financial statements for the year ended December 31, 2015 are included at the end of this annual report in accordance with Regulation S-X Rule 3-09. The unaudited financial statements for the year ended December 31, 2015 is not reflective of the Company's ownership period of JMOOP during the year ended December 31, 2015. The summarized financial information included below is reflective of the Company's ownership period of JMOOP.

(iii) In December 2014, the Company invested $30,000 in Hayman which is a Cayman Islands exempted limited partnership and served as a limited partner. The general partner of Hayman is Hayman Offshore Management Inc, which is also the general partner of JMOOP. The Company recognized its share of loss of $322 for the year ended December 31, 2015.

(iv) In April 2014, the Company entered into an agreement to purchase 7,856,395 Series A Preferred Shares issued by Rise at a price of $2.1872 per share with a total consideration of $17,183. The Company held 25.30% equity interest of Rise as of December 31, 2015 and recognized its share of loss of $1,158 and $882 for the years ended December 31, 2014 and 2015, respectively.

(v) In December 2014, the Company entered into an agreement with ESS to purchase 3,333,333 Ordinary Shares at the price of $1.20 per share with total cash consideration of $4,000. Since the Company held 25% equity interest of ESS as of December 31, 2015 and was able to exercise significant influence over ESS, the investment was accounted for using equity method. Additionally, the Company was granted a call option to invest an additional $7,000 within 18 months of purchase of ESS Ordinary Shares to acquire additional ordinary shares at a per share price determined on the basis of ESS's valuation of $30,000. The Company has determined the value of this call option to be immaterial at both December 31, 2014 and 2015 and thus, the option was recorded aggregately with the equity method investment.

The Company also wrote an option which allows ESS to request additional investment of $7,000 from the Company if the aggregate amount of pre-sale letters received by ESS from its potential clients exceeded $10,000 during the next 3 years. Such written put option was separately recorded based on its fair value under the caption of "Other non-current liabilities" as of December 31, 2014 and "Accrued expenses and other current liabilities" as of December 31, 2015 (see Note 13). In April 2016, ESS exercised the option and the Company made an investment of $7,000.

As of December 31, 2015, the Company performed an impairment analysis with the assistance of a third party valuer and noted that the fair value of ESS decreased significantly to nil and the decrease was other-than temporary. As a result, the Group did not expect to receive any return from the investment and recognized a full impairment of $4,258 in 2015.

9. LONG-TERM INVESTMENTS - continued

Equity method investments - continued

(vi) Others represents other equity method investments with individual carrying amount less than $15,000 as of December 31, 2014 and 2015, respectively.

The summarized financial information of the equity method investments were as follows:

	As of December 31,	
	2014(1)	2015
Total current assets	$ 264,663	$ 2,606,921
Total assets	843,911	2,753,244
Total current liabilities	44,384	1,144,880
Total liabilities	409,190	1,220,771

	For the years ended December 31,		
	2013	2014(1)	2015
Net revenues	$ 145,745	$ 117,896	$ 199,069
Gross profits	138,168	104,908	167,512
Income (loss) from continuing operations	83,431	36,157	(58,658)
Net income (loss)	83,431	36,157	(58,658)

Cost method investments

(vii) In April 2011, the Company acquired 2% equity interest of Hylink at total cash consideration of $2,381. Hylink is mainly engaged in advertising agency service. The Company was not able to exercise significant influence over the operating and financial decisions of Hylink, and thus the Company used the cost method to account for its investment.

(viii) In August 2014, the Company entered into an agreement to purchase Series B Preferred Shares issued by StoreDot at total cash consideration of $10,001 and held 6.06% equity interest of StoreDot. The Company was not able to exercise significant influence over the operating and financial decisions of StoreDot, and thus the Company used the cost method to account for its investment.

(ix) In November 2014, the Company entered into an agreement to acquire 10% equity interest of GoGo with a total consideration of $8,100. In May and June 2015, the Company acquired additional equity interest of GoGo with a total consideration of $8,000 and therefore held 13.89% equity interest of GoGo as of December 31, 2015. The Company was not able to exercise significant influence over the operating and financial decisions of GoGo, and thus the Company used the cost method to account for its investment.

9. LONG-TERM INVESTMENTS - continued

Cost method investments - continued

(x) In January 2015, the Company entered into an agreement to purchase 5,579,734 Series E Preferred Shares issued by Motif with a total consideration of $40,000 and held 10% equity interest of Motif as of December 31, 2015. The Company was not able to exercise significant influence over the operating and financial decisions of Motif, and thus the Company used the cost method to account for its investment.

(xi) In March 2015, the Company entered into an agreement to purchase 6,153,999 Series C Preferred Shares issued by LendingHome with a total consideration of $65,843 and held 14.72% equity interest of LendingHome as of December 31, 2015. The Company was not able to exercise significant influence over the operating and financial decisions of LendingHome, and thus the Company used the cost method to account for its investment.

(xii) In January 2015, the Company acquired 204,471 Series A Preferred Shares issued by Credit Shop at a price of $73.36 with a total consideration of $15,000, and accounted for the investment under the cost method given that such shares have substantive liquidation preference over ordinary shares and are not considered in-substance common stock.

Additionally, the parties also reached an agreement, whereby the Company would provide a revolving line of credit up to $15,000 to Credit Shop and may convert the loan to Series A Preferred Shares. Upon the conversion, the Company would purchase additional Series A Preferred Shares from Credit Shop in the amount of $5,000. Such conversion is not legally detachable or transferable and therefore was not separately accounted. In December 2015, Credit Shop exercised the conversion; the Company subsequently purchased $20,000 of Series A Preferred Shares in February 2016.

(xiii) In March 2015, the Company entered into an agreement to purchase 4,770,131 Series B Preferred Shares issued by Eunke for a total consideration of $25,000, and accounted for the investment under the cost method given that such shares have substantive liquidation preference over ordinary shares and are not considered in-substance common stock.

(xiv) Others represents other cost method investments with individual carrying amount less than $10,000 as of December 31, 2014 and 2015, respectively.

Held-to-Maturity investments

(xv) In July 2012, the Company entered into a note purchase agreement with SoFi Lending Corp., a subsidiary of SoFi, to purchase $10,000 Series 2012-A Senior Secured Sofi Loan Notes issued by SoFi Lending Corp. The loan has a maturity date of July 3, 2032 and a fixed annual interest rate of 4% with no redemption feature. The Company has the positive intent and ability to hold the investments to maturity. The Company received monthly payments, including return of the principal of $1,370, $984 and earned interest of $211, $181 from SoFi Lending Corp. for the years ended December 31, 2014 and 2015.

9. LONG-TERM INVESTMENTS - continued

Available-for-sale investments

The long-term available-for-sale investments represents the convertible redeemable preferred shares and convertible debt. As of December 31, 2014 and 2015, the Company held following long-term available-for-sale investments:

	As of December 31, 2014				As of December 31, 2015		
	Cost	Gross unrealized losses	Other-than -temporary impairment	Fair value	Cost	Gross unrealized gains(losses)	Fair value
Convertible redeemable preferred shares	51,492	-	-	51,492	183,644	35,634	219,278
Convertible debt	5,000	-	-	5,000	6,500	-	6,500
Total	56,492	-	-	56,492	190,144	35,634	225,778

(xvi) In November 2014, the Company acquired 35,040,427 Series C Preferred Shares issued by Snowball at a price of $0.9988 per share. As part of the acquisition, the Company received a detachable preferred share warrant, exercisable within 2 years of the share acquisition, to (1) purchase additional up to 8,872,590 Series C Preferred Share at a price of $1.6906 per share; (2) if Snowball issued subsequent equity securities, purchase such subsequent equity securities at a price of the lower of $1.6906 and the per share price paid by investors purchasing such subsequent equity securities. The total consideration for the purchase of Series C Preferred Shares and warrant was $34,998, of which $901 was allocated to the value of warrant based on its fair value at the acquisition date.

The Company has determined that the Series C Preferred Shares are redeemable at the option of the investors. As such, the Company determined that the shares are debt securities in nature and accounted for those as available-for-sale securities. Unrealized holding gains of nil and $1,437 were reported in other comprehensive income for the years ended December 31, 2014 and 2015, respectively.

9. LONG-TERM INVESTMENTS - continued

Available-for-sale investments - continued

(xvii) In September 2014, the Company entered into an agreement to purchase 5,321,428 Series B-1 Preferred Shares and 649,351 Series B-2 Preferred Shares issued by Eall at a price of $3.08 per Series B-1 share and $2.62 per Series B-2 share with a total consideration of $18,090. In July 2015, the Company purchased an additional 652,598 Series B-1 Preferred Shares at a price of $3.08 per Series B-1 share with a total consideration of $2,010. The Company has determined that all of the purchased shares are redeemable at the option of the investors. As such, the Company determined that they are debt securities in nature and accounted for those as available-for-sale securities. Unrealized holding gains of nil and $729 were reported in other comprehensive income for the years ended December 31, 2014 and 2015, respectively.

(xviii) In January 2015, the Company entered into an agreement to purchase 64,281,655 Series D Preferred Shares issued by 268V Limited for a total consideration of $75,000. The Company has determined that the Series D Preferred Shares are redeemable at the option of the investors. As such, the Company determined that they are debt securities in nature and accounted for those as available-for-sale securities. Unrealized holding gains of $23,782 were reported in other comprehensive income for the year ended December 31, 2015.

(xix) In July 2015, the Company purchased 14,727,541 Series B Preferred Shares issued by Omni at the price of $1.358 with a total consideration of $20,000 and held 12.03% equity interest of Omni. The Company has determined that the Series B Preferred Shares are redeemable at the option of the investor. As such, the Company determined that they are debt securities in nature and accounted for those as available-for-sale securities. Unrealized holding gains of $8,866 were reported in other comprehensive income for the year ended December 31, 2015.

(xx) In January 2015, the Company entered into an agreement to purchase 1,553,566 Series A Preferred Shares issued by Zhu Chao for a total consideration of $15,000. The Company has determined that the Series A Preferred Shares are redeemable at the option of the investor. As such, the Company determined that they are debt securities in nature and accounted for those as available-for-sale securities. Unrealized holding gains of nil were reported in other comprehensive income for the year ended December 31, 2015.

(xxi) Others represents other long-term available-for-sale investments with individual carrying amount less than $10,000 as of December 31, 2014 and 2015, respectively. Unrealized holding gains of nil and $820 were reported in other comprehensive income for these for the years ended December 31, 2014 and 2015, respectively.

The fair values of long-term available-for-sale investments as measured are further discussed in Note 16.

10. PROPERTY AND EQUIPMENT, NET

	As of December 31,	
	2014	2015
Building	$ 33,558	$ 32,142
Computer equipment and application software	39,032	22,861
Furniture and vehicles	305	163
Leasehold improvements	5,136	1,343
	$ 78,031	$ 56,509
Less: Accumulated depreciation	$ (36,093)	$ (23,130)
Less: Accumulated impairment loss	(90)	(90)
	$ 41,848	$ 33,289

Depreciation expense from continuing operations was $11,054, $11,966 and $7,338 and from discontinued operations was $6,516, $5,379 and $1,500, for the years ended December 31, 2013, 2014 and 2015, respectively.

Impairment loss from continuing operations were $90, $nil and $nil for the years ended December 31, 2013, 2014 and 2015, respectively. No impairment loss was incurred from discontinued operations for the respective years.

11. OTHER NON-CURRENT ASSETS

		As of December 31,	
	Note	2014	2015
Receivable related to the disposition of equity method investment in Nuomi	Note 7	$ 18,460	$ -
Employee housing loan	(i)	1,653	713
Rental deposit		1,187	1,178
Restricted cash, non-current		314	346
Suppliers deposit		77	76
Total		$ 21,691	$ 2,313

(i) The balance represents the interest-bearing long-term loans to employees provided by the Company during the period from late 2011 to early 2013. Such program was suspended in 2013.

12. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt

(i) In April 2015, the Company entered into an agreement with East West Bank through which the Company was granted a line of credit of $15,437 for one year. The Company has drawn $6,919 as of December 31, 2015. The loan bears 95% of the People's Bank of China interest rate and each amount drawn is repayable within one year or earlier at the discretion of the Company. Subsequently in April 2016 the Company extended the line of credit agreement for an additional year until July 1, 2017. No other terms were changed.

(ii) In December 2015, the Company entered into a short-term loan agreement with East West Bank for $100,000. The cash received is restricted as to withdrawal and usage until the maturity date of the loan. The loan bears an annual interest rate of the greater of 3.25% or the prime rate published in the Money Rates section of the Western Edition of The Wall Street Journal and has a loan period of 45 days. The loan was repaid by the Company in February 2016.

Long-term debt

(i) In October 2015, the Company entered into a long-term loan agreement with a trust company to borrow $59,260 in order to finance the investment in SoFi. The loan bears an annual interest rate 6% and requests the pledge of 7,512,535 Series F Preferred Stock of SoFi owned by the Company. The loan is expected to be repaid within three years and could be extended to five years if specific revenue targets of SoFi are reached.

Additionally, the Company issued the trust company a warrant to purchase 1,502,507 Series F Preferred Stock of SoFi from the Company at a preliminary exercise price of $15.7763 per share upon occurrence of certain events within five years, including a qualified public offering of SoFi. Such warrant was considered as liability-classified warrants and separately recorded based on its fair value under the caption of "Other non-current liabilities" on the consolidated balance sheet.

(ii) In November 2015, the Company entered into a long-term loan agreement with an asset management company to borrow $69,468 in order to finance the investment in SoFi. The loan bears an annual interest rate ranging from 12% to 16% upon certain scenarios, including a qualified public offering of SoFi during the period of the loan, and requests the pledge of certain assets of the Company consisting of building, the long-term investment in Hayman, and certain shares of SoFi owned by the Company including 4,970,573 Series B Preferred Stock, 6,020,695 Series D Preferred Stock and 2,361,116 Series E Preferred Stock. The loan in expected to be repaid within four years. The Chief Executive Officer ("CEO") of the Company provided joint and several liability guarantee for the loan. The loan can be repaid in advance at the option of the Company upon distribution from the long-term investment in one of its equity method investee. In January 2016, the Company received the notice for such distribution and repaid $23,608 of the loan balance accordingly.

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Note	As of December 31, 2014	As of December 31, 2015
Employee payroll and welfare payables		$ 5,615	$ 4,700
Written put option	Note 9(v)	-	7,000
Other tax payable		6,691	6,335
Accrued professional, marketing and leasing fees		3,468	4,983
Other payables		6,096	6,270
Accrued advertising sales rebate		91	443
Total		$ 21,961	$ 29,731

14. INCOME TAXES

The Company, CIAC, Renren-Jingwei Inc, Link224 Inc., Renren Lianhe Holdings, Wole Inc., JiehunChina Inc., Funall Technology Inc., Xin Ditu Holdings, Renren Study Inc., Jingwei Inc. Limited and Renren Finance Inc. are all incorporated in the Cayman Islands. They are tax-exempted under the tax laws of the Cayman Islands.

Appsurdity Inc. and Game USA are incorporated in the US and subject to state income tax and federal income tax at different tax rates, depending upon taxable income levels. Appsurdity Inc. and Game USA did not have taxable income and no income tax expense was provided for the year ended December 31, 2013, 2014 and 2015.

Renren Games, incorporated in the PRC on November 15, 2012, qualified as a “software enterprise” in 2013, and therefore was entitled to a two-year exemption starting from the commencement of the profitable year 2013, followed by a 50% reduction in tax rates for the succeeding three years in accordance with the EIT Law.

Tianjin Joy Interactive Technology Development Co., Ltd, incorporated in the PRC on March 29,2013, qualified as a “High and New Tech Enterprise” in 2014, and therefore was entitled to a preferential tax rate of 15% for the following three years.

14. INCOME TAXES - continued

Other subsidiaries and VIEs of the Company domiciled in the PRC were subject to 25% statutory income tax rate in the years presented.

The EIT Law includes a provision specifying that legal entities organized outside PRC will be considered residents for Chinese income tax purposes if their place of effective management or control is within PRC. If legal entities organized outside PRC were considered residents for Chinese income tax purpose, they would become subject to the EIT Law on their worldwide income. This would cause any income from legal entities organized outside PRC earned to be subject to PRC's 25% EIT. The Implementation Rules to EIT Law provide that non-resident legal entities will be considered as PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. reside within PRC.

Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Company does not believe that the legal entities organized outside PRC should be characterized as PRC residents for EIT Law purposes.

Under the EIT Law and its implementation rules which became effective on January 1, 2008, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with PRC that provides for a different withholding arrangement. The Cayman Islands, where the Company is incorporated, does not have a tax treaty with PRC.

The Company's subsidiaries and VIEs located in the PRC had aggregate accumulated deficits as of December 31, 2015. Accordingly, no deferred tax liability had been accrued for the Chinese dividend withholding taxes as of December 31, 2015.

The current and deferred component of income tax expenses (benefits) which were substantially attributable to the Company's PRC subsidiaries and VIEs and VIEs' subsidiaries, are as follows:

	Years ended December 31,		
	2013	2014	2015
Current income tax expense	$ 1,040	$ 1,620	$ 3,124
Deferred income tax (benefit) expense	(4,999)	4,897	-
Total income tax expense (benefits)	$ (3,959)	$ 6,517	$ 3,124

14. INCOME TAXES - continued

The principal components of the deferred tax assets and liabilities are as follows:

	As of December 31,	
	2014	2015
Current deferred tax assets		
Provision for doubtful accounts	$ 1,545	$ 2,526
Accrued payroll and welfare	1,394	1,175
Accrued liabilities-current	1,423	2,520
Less valuation allowance	(4,362)	(6,221)
Current deferred tax assets, net	$ -	$ -
Non-current deferred tax assets		
Accrued Liabilities-non-current	$ 5	$ 6
Excessive advertising fee-non-current	1,073	1,409
Excessive employee education fee-non-current	74	152
Net operating loss carry forwards	52,794	60,571
Less valuation allowance	(53,946)	(62,138)
Non-current deferred tax assets, net	$ -	$ -
Non-current deferred tax liabilities	$ -	$ -

14. INCOME TAXES - continued

The Company operates through multiple subsidiaries and VIEs and VIEs' subsidiaries. The valuation allowance is considered on each individual entity basis. The subsidiaries and VIEs and VIEs' subsidiaries registered in the PRC have total deferred tax assets related to net operating loss carry forwards of $52,794 and $60,571 as of December 31, 2014 and 2015, respectively. The Company assessed the available evidence to estimate if sufficient future taxable income would be generated to use the existing deferred tax assets. As of December 31, 2014 and 2015, valuation allowances were established because the Company believes that it is more likely than not that its deferred tax assets will not be realized as it does not expect to generate sufficient taxable income in the near future.

Reconciliation between the income taxes expense (benefits) computed by applying the PRC tax rate to loss before the provision of income taxes and the actual provision for income taxes is as follows:

	Years ended December 31,		
	2013	2014	2015
Loss before provision of income tax	$ (58,700)	$ (12,708)	$ (214,585)
PRC statutory income tax rate	25%	25%	25%
Income tax at statutory tax rate	(14,675)	(3,177)	(53,646)
Taxable deemed interest income from inter-company interest-free loans	3,952	5,407	5,632
Non-deductible loss and other expenses not deductible for tax purposes	155	1,869	41,114
Effect of income tax exemption of the Company in the Cayman Islands	(4,039)	(17,942)	(27)
Changes in valuation allowance	10,648	20,360	10,051
Income tax expenses (benefits)	$ (3,959)	$ 6,517	$ 3,124

14. INCOME TAXES - continued

The Company did not identify significant unrecognized tax benefits for the years ended December 31, 2013, 2014 and 2015, respectively. The Company did not incur any interest and penalties related to potential underpaid income tax expenses.

Since January 1, 2008, the relevant tax authorities have not conducted a tax examination on PRC entities. In accordance with relevant PRC tax administration laws, tax years from 2010 to 2015 of the Company's PRC subsidiaries and VIEs and VIEs' subsidiaries remain subject to tax audits as of December 31, 2015, at the tax authority's discretion.

15. ORDINARY SHARES

Under a series of share repurchase programs approved by the Company's board of directors on September 29, 2011, December 26, 2012, June 28, 2013 and June 28, 2014, during the years ended December 31, 2013, 2014 and 2015, the Company repurchased 56,635,569, 80,728,137 and 10,912,110 ordinary shares for total considerations of $55,574, $87,323 and $10,292, respectively.

16. FAIR VALUE MEASUREMENTS

Assets and liabilities disclosed at fair value

The Company measures its cash and cash equivalents, term deposits, restricted cash, financing receivables and short term and long-term debt at amortized cost. The carrying values of cash and cash equivalents, term deposits and restricted cash approximated fair value and represented a level 2 measurement. The carrying value of financing receivables approximate their fair value due to their short-term nature and are considered level 3 measurement. Such fair value was estimated by discounting scheduled cash flows through the estimated maturity with estimated discount rates based on current offering rates of comparable financing with similar terms. The carrying value of our debt obligations approximate fair value considering the borrowing rates currently available to us for financing obligations with similar terms and credit risks and represent a level 2 measurement.

Assets and liabilities measured at fair value on a recurring basis

The Company measured its short-term investments, long-term available-for-sale investment, written put option and liability-classified warrant at fair value on a recurring basis as of December 31, 2014 and 2015.

The short-term investments included the investments in equity securities and corporate bonds that were traded publicly in the open market and were valued based on the quoted market price.

16. FAIR VALUE MEASUREMENTS - continued

Assets and liabilities measured at fair value on a recurring basis - continued

The Company's derivative financial instruments were classified as Level 2, as they were not actively traded and were valued using pricing models that used observable market inputs. The Company did not have any transfers between Level 1 and Level 2 fair value measurements during the periods presented.

The following table summarizes the Company's financial assets and liabilities measured and recorded at fair value on recurring basis as of December 31, 2014 and 2015, respectively:

	As of December 31, 2014				As of December 31, 2015			
	Fair Value Measurement at the Reporting Date using				Fair Value Measurement at the Reporting Date using			
	Quoted price in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable in puts Level 3	Total	Quoted price in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable in puts Level 3	Total
Short-term investments								
Trading securities:								
Equity securities	-	-	-	-	$ 264	-	-	$ 264
Corporate bonds	-	-	-	-	741	-	-	$ 741
Funds	-	-	-	-	1,856	-	-	$ 1,856
Future	-	-	-	-	(3)	-	-	$ (3)
Available-for-sale securities:								
Equity securities	27,810	-	-	27,810	-	-	-	-
Derivative financial instruments:								
Interest rate swaptions	-	1,937	-	1,937	-	10	-	$ 10
Interest rate swap	-	(363)	-	(363)	-	(249)	-	$ (249)
Long-term investments								
Available-for-sale investments:								
Convertible redeemable preferred shares	-	-	51,492	51,492	-	-	219,278	$ 219,278
Convertible debt	-	-	5,000	5,000	-	-	6,500	$ 6,500
Accrued expenses and other current liabilities								
Written put option	-	-	-	-	-	-	(7,000)	$ (7,000)
Other non-current liabilities								
Written put option	-	-	(730)	(730)	-	-	-	-
Liability-classified warrant	-	-	-	-	-	-	(6,656)	$ (6,656)
Total	$ 27,810	$ 1,574	$ 55,762	$ 85,146	2,858	$ (239)	$ 212,122	$ 214,741

The following table provides additional information about the reconciliation of the fair value measurements of assets and liabilities using significant unobservable inputs (level 3).

	Convertible redeemable preferred shares	Convertible debt	Written put option	Liability-classified warrant
Balance at January 1, 2014	-	-	-	-
Initial recognition	51,492	5,000	(730)	-
Balance at December 31, 2014	51,492	5,000	(730)	-
Initial recognition	131,457	1,500	-	(6,656)
Gains or losses for the period				
Earnings	695	-	(6,270)	-
Other comprehensive income	35,634	-	-	-
Balance at December 31, 2015	$ 219,278	$ 6,500	$ (7,000)	$ (6,656)

16. FAIR VALUE MEASUREMENTS - continued

Assets and liabilities measured at fair value on a recurring basis - continued

Trading securities and available-for-sale securities recorded in short-term investments were valued using the market approach based on the quoted prices in active markets at the reporting date.

Derivative financial instruments were valued based on quoted market prices of similar instruments and other significant inputs derived from or corroborated by observable market data.

Long-term available-for-sale investments do not have a quoted market rate. The Company generally adopted a market approach, which take into consideration a number of factors that include expected market multiples and discount rates from publicly traded companies in the industry and require the Company to make certain assumptions and estimates regarding industry economic factors.

The written put option was valued using the Binomial pricing model at the acquisition date. The calculation was based on the exercise price of $2.25 per share, annual risk free rate of 1.61%, dividend yield of 0% and volatility of 32%. The Company remeasured the fair value of the written option as of December 31, 2015 and determined that the fair value approximated the amount paid by the Company in 2016 to exercise the put option given that the underlying investment was fully impaired.

The liability-classified warrant was valued using Black-Scholes model. The calculation was based on the exercise price of $15.78 per share, annual risk free rate of 1.4%, dividend yield of 0% and volatility of 29%.

The assumptions are inherently uncertain and subjective. Changes in any unobservable inputs may have a significant impact on the fair values.

Assets measured at fair value on a nonrecurring basis

The Company measured its property and equipment, goodwill and other intangible assets, long-term investments (excluding the long-term available-for-sale investments) at fair value on a nonrecurring basis whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable.

As of December 31, 2015, the Company performed an impairment test on its equity method investment in ESS using the income approach and recorded an impairment loss of $4,258 as of December 31, 2015. The impairment of the equity method investment in ESS is considered as level 3 assets because the Company used unobservable inputs, such as the estimated terminal growth rate and discount rate. The estimated terminal growth rate and discount rate used in the fair value measurement were 3% and 30%, respectively.

17. SHARE-BASED COMPENSATION

Stock options

The Company adopted 2003 Stock Incentive Plan (the "2003 Plan"), 2004 Stock Incentive Option Plan (the "2004 Plan"), 2005 Stock Incentive Plan (the "2005 Plan"), 2006 Equity Incentive Plan (the "2006 Plan"), 2008 Equity Incentive Plan (the "2008 Plan"), 2009 Equity Incentive Plan (the "2009 Plan"), 2011 Share Incentive Plan (the "2011 Plan") and the Equity Incentive Plan specifically for Games segment (the "Link224 Inc. Plan") for the granting of stock options and incentive stock options to employees and executives to reward them for service to the Company and to provide incentives for future service.

On January 31, 2008, the Company's Board of Directors approved 60,312,000 shares for option grants under the 2008 Plan. The options were granted in two batches with the majority options to be vested over four years. For Batch I options, 25% will be vested on the first anniversary and the remaining will vest 1/36 monthly from the second year to the fourth year, whereas Batch II options will be vested evenly on monthly basis over the four years period. The stock options expire in 10 years from the date of grant. All the authorized 60,312,000 options were granted to employees and management in 2008.

On October 15, 2009, the Company's Board of Directors approved 39, 064,000 shares for option grants under the 2009 Plan. The options will vest over three years where 25% of the options will vest on the grant date, 75% will vest evenly each subsequent calendar month through the three years. The stock options expire in 10 years from the date of grant. All the authorized 39, 064,000 options were granted to employees and management in 2009.

On various dates from March to October 2010, the Company granted 3,980, 630 stock options to certain employees and advisor at exercise price of $1.80 per share. The options will vest either (1) 100% immediately upon grant, (2) over two years where 50% of the options will vest at the end of the first year, 1/24 will vest at each of the monthly anniversary for the grant date from the second year or (3) over four years where 25% of the options will vest at the end of the first year, 1/36 of the remaining 75% will vest at each of the monthly anniversary for the grant date from the second year through the fourth year.

In January 2011, the Company granted 12,608,500 share options to certain employees and advisors at the exercise price of $1.2 per share, where 25% of the options were vested on December 31, 2011 and 1/36 of the remaining 75%will be vested at each of the monthly anniversary of the grant date since December 31, 2011 through the end of the fourth year

In September 2011, the Company granted 519,000 share options to certain employees with the exercise price of $1.76 per share, where 25% of the options were vested on various defined vesting commencement date per the share option agreements and 1/36 of the remaining 75% will be vested at each calendar month subsequent to first anniversary of the vesting commencement date through the end of the fourth year.

17. SHARE-BASED COMPENSATION - continued

Stock options - continued

In December 2011, the Company granted 1,639,107 share options to certain employees with exercise price of $1.1 per share. For 60,000 share options of the total share options, 25% of the options were vested on November 9, 2012 and 1/36 of the remaining 75% will be vested at the ninth day of each calendar month after November 9, 2012 through the end of the fourth year. For 1,579,107 share options of the total share options, 25% of the options were vested on December 31, 2012 and 1/36 of the remaining 75% will be vested at the end of each calendar month after December 31, 2012 through the end of the fourth year.

On April 5, 2012, the Company issued 24,636,000 share options under the Company's 2011 share incentive plan to its executives, non-executives directors and employees with the exercise price of $1.82 per share. For 24,300,000 share options of the total share options, 25% of the options will be vested on April 4, 2013 and 1/36 of the remaining 75% will be vested at the fourth day of each calendar month after April 4, 2013 through the end of the fourth year. For 240,000 share options of the total share options, 25% of the options will be vested on February 28, 2013 and 1/36 of the remaining 75% will be vested at the end of each calendar month after February 28, 2013 through the end of the fourth year. For 90,000 share options of the total share options, 25% of the options will be vested on January 8, 2013 and 1/36 of the remaining 75% will be vested at the eighth day of each calendar month after January 8, 2013 through the end of the fourth year. For 6,000 share options of the total share options, 25% of the options will be vested on March 18, 2013 and 1/36 of the remaining 75% will be vested at the eighteenth day of each calendar month after March 18, 2013 through the end of the fourth year. The Company has determined the fair value of the options was $26,638 on the grant date, which will be recognized as a share-based compensation cost in the consolidated statements of operations in the next four years on a straight line basis.

On April 30, 2012, the Company granted 300,000 share options to a new director appointed by the Board of Directors, the Company's independent director, with exercise price of $2.03 per share, where 25% of the options will be vested on May 1, 2013 and 1/36 of the remaining 75% will be vested at the end of each calendar month after May 1, 2013 through the end of the fourth year.

In June, 2012, the Company granted 300,000 share options to another new director appointed by the Board of Directors, the Company's independent director, with exercise price of $1.486 per share, where 25% of the options will be vested on June 14, 2013 and 1/36 of the remaining 75% will be vested at the end of each calendar month after June 14, 2013 through the end of the fourth year.

In December, 2012, the Company granted 3,503,400 share options to certain employees with exercise price of $1.1 per share, where 25% of the options will be vested on December 31, 2013 and 1/36 of the remaining 75% will be vested at the end of each calendar month after December 31, 2013 through the end of the fourth year.

17. SHARE-BASED COMPENSATION - continued

Stock options - continued

On December 28, 2012, the Company modified the exercise price of the outstanding share options granted from $4.00 per ADS to $3.30 per ADS, which is the closing price of the Company's ADS on the modification date. The eligible outstanding options for this modification as of December 31, 2012 totaled at 27,480,309. The total incremental cost as a result of the modification was $4,281, of which $949, $1,063, $1,063, and $973 were recognized as share-based compensation expenses for the years ended December 31, 2012, 2013, 2014, and 2015, respectively, and the remaining will be recognized over the expected requisite service period.

On March 22, 2013, the Company granted 9,867,000 share options to certain employees with exercise price of $0.983 per share, where 25% of the options will be vested on March 21, 2014 and 1/36 of the remaining 75% will be vested at the 21st day of each calendar month after March 21, 2014 through the end of the fourth year.

On April 1, 2013, Link 224 Inc, a subsidiary of the Company, granted 11,630,000 share options to certain employees with exercise price of $0.01 per share, where 25% of the options will be vested on December 31, 2013 and 1/36 of the remaining 75% will be vested at the last day of each calendar month subsequent to January 1, 2014 through the end of the fourth year.

On May 17, 2013, the Company granted 3,060,000 share options to certain employees with exercise price of $0.95 per share, where 25% of the options will be vested on May 16, 2014 and 1/36 of the remaining 75% will be vested at the 16th day of each calendar month after May 16, 2014 through the end of the fourth year.

On August 30, 2013, the Company granted 600,000 share options to certain employees with exercise price of $1.087 per share, where 25% of the options will be vested on August 30, 2014 and 1/36 of the remaining 75% will be vested at the 16th day of each calendar month after August 30, 2014 through the end of the fourth year.

On October 25, 2013, the Company cancelled 187,600 options that were granted in several batches to the selected employees in Nuomi with weighted average exercise price of $1.15. This cancellation resulted in an immediate recognition of share-based compensation expenses of $425 in the year ended December 31, 2013.

On December 2, 2013, the Company granted 2,755,500 share options to certain employees with exercise price of $0.94 per share, where 25% of the options will be vested on December 2, 2014 and 1/36 of the remaining 75% will be vested at the 1st day of each calendar month after December 2, 2014 through the end of the fourth year.

17. SHARE-BASED COMPENSATION - continued

Stock options - continued

On May 19, 2014, the Company granted 69,593,691 share options to certain employees with exercise price of $1.097 per share. Amongst, 34,796,847 shares were under agreement where 25% of the options will be vested on May 19, 2015 and 1/36 of the remaining 75% will be vested at the 18th day of each calendar month after May 19, 2015 through the end of the fourth year; 34,796,844 were under conditional option agreement where (1) 100% of the options shall be forfeited on May 19, 2017 unless the average closing price of one ADS of the Company during any 30-day period beginning on or after May 19, 2014 and ending on or before May 19, 2017 is US$6.00 or higher, and (2) 25% of the options will be vested on May 19, 2015 and 1/36 of the remaining 75% will be vested at the 18th day of each calendar month after May 19, 2015 through the end of the fourth year, however, that any conditional management options shall not be vested until the end of said 30-day period. On December 23, 2015, the Company's Compensation Committee approved to waive the award condition for certain outstanding share options. The total incremental cost as a result of the modification was $10,926, of which $4,446 were recognized as share-based compensation expenses for the year ended December 31, 2015 and the remaining will be recognized over the expected requisite service period.

On December 29, 2014, the Company's Compensation Committee approved to reduce the exercise price for all outstanding options previously granted by the Company with an exercise price higher than $0.873 per ordinary share to $0.873 per share. This action was accounted for as a share option modification and required the remeasurement of these share options. This remeasurement resulted in a total incremental share-based compensation of $6,350, of which $3,678 and $1,494 were recognized in 2014 and 2015 for the vested share options and the remaining will be recognized ratably over the remaining vesting period of the awards.

Excluding the options containing market and service vesting conditions, the Company calculated the estimated fair value of the options on the respective grant dates using Black-Scholes option pricing model or binomial option pricing model with assistance from independent valuation firms, with the following assumptions used in 2013, 2014. The Company has not granted any options in 2015.

	Years ended December 31,	
	2013	2014
	Using binomial model	Using binomial model
Risk-free interest rate	2.0~2.9%	2.6%
Volatility	55%~57%	54%
Expected term (in years)	10	10
Exercise price	$0.01~$1.087	$1.097
Dividend yield	-	-

(1) Volatility

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

17. SHARE-BASED COMPENSATION - continued

Stock options - continued

(2) Risk-free interest rate

Risk-free interest rate was estimated based on the yield to maturity of treasury bonds of the United States with a maturity period close to the expected life of the options.

(3) Expected term

For the options granted to employees, the Company estimated the expected term based on the vesting and contractual terms and employee demographics. For the options granted to non-employees, the Company estimated the expected term as the original contractual term.

(4) Dividend yield

The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

(5) Exercise price

The exercise price of the options was determined by the Company's board of directors.

(6) Fair value of underlying ordinary shares

The closing market price of the Company's ordinary shares on the grant date was used.

For the options containing market and service vesting conditions, the Company estimated the fair value and derived service period of these options using a Monte Carlo simulation pricing model. The calculation was based on the exercise price of $1.097 per ordinary share, the stock price of $2.60, annual risk free rate of 2.197%, volatility of 52% and a term of 10 years.

The aggregate intrinsic value was calculated as the difference between the exercise price of the underlying awards and the closing stock price of $1.02, $0.84, and $1.23 of the Company's ordinary share on December 31, 2013, 2014 and 2015, respectively.

The total intrinsic value of options outstanding as of December 31, 2013, 2014 and 2015 were $15,964, $7,451, and $46,430, respectively.

17. SHARE-BASED COMPENSATION - continued

Stock options - continued

The following table summarizes information with respect to share options outstanding as of December 31, 2015:

	Options outstanding				Options exercisable			
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Weighted average intrinsic value	Number of exercisable	Weighted average remaining contractual life	Weighted average exercise price	Weighted average intrinsic value
$0.08~$0.18	6,697,196	5.03	$ 0.08	$ 7,656	6,547,116	4.98	$ 0.09	$ 7,473
$0.2~$0.3	1,043,880	0.79	$ 0.23	$ 1,042	1,043,871	0.79	$ 0.23	$ 1,042
$0.35~$0.38	1,059,802	1.78	$ 0.36	$ 922	1,059,792	1.78	$ 0.36	$ 922
$0.873~$1.2	104,081,519	7.73	$ 0.87	$ 36,810	57,535,974	7.31	$ 0.87	$ 20,349
	112,882,397			$ 46,430	66,186,753			$ 29,786

	Number of shares	Weighted average exercise price	Weighted average grant date fair value
Balance, January 1, 2014	70,979,125	$ 0.77	$ 0.86
Granted	69,593,691	$ 0.87	$ 0.55
Exercised	(7,477,739)	$ 0.32	$ 0.24
Forfeited	(15,247,071)	$ 0.52	$ 1.13
Balance, December 31, 2014	117,848,006	$ 0.81	$ 0.68
Exercised	(3,089,784)	$ 0.44	$ 0.28
Forfeited	(1,875,825)	$ 0.87	$ 0.65
Balance, December 31, 2015	112,882,397	$ 0.82	$ 0.69
Exercisable, December 31, 2015	66,186,753	$ 0.78	
Expected to vest, December 31, 2015	46,695,644	$ 0.87	

For employee stock options, the Company recorded share-based compensation from continuing operations of $9,404, $18,282, and $22,989 and from discontinued operations of $5,033, $777 and $1,736 for the years ended December 31, 2013, 2014, and 2015, respectively, based on the fair value on the grant dates over the requisite service period of award using the straight-line method.

For non-employee options, the Company recorded share-based compensation from continuing operations of $721, $614, and $77 and from discontinued operations of $nil for the years ended December 31, 2013, 2014, and 2015, respectively, based on the fair value on the grant dates over the requisite service period of award using the straight-line method.

As of December 31, 2015, there was $35,709 unrecognized share-based compensation expense relating to share options. This amount is expected to be recognized over a weighted-average vesting period of 2.23 years.

17. SHARE-BASED COMPENSATION - continued

Nonvested restricted shares

In September 2011, the Company granted 60,000 restricted Class A ordinary shares to an employee under 2009 Equity Incentive Plan. 25% of the total restricted shares will vest on August 31, 2012 and thereafter the remaining 75% will vest at the ending of each calendar month subsequent to September 1, 2012.

In December 2011, the Company granted 3,750,000 restricted Class A ordinary shares to employees under 2009 Equity Incentive Plan. 25% of the restricted shares will vest on the first anniversary of the vesting commencement date as of October 26, 2012 and thereafter the remaining 75% will vest at the 26th day of each calendar month subsequent to October 26, 2012.

In March 2013, the Company granted 168,000 restricted Class A ordinary shares to employees under 2011 Equity Incentive Plan. 25% of the restricted shares will vest on the first anniversary of the vesting commencement date as of March 22, 2014, and the remaining 75% will vest at the 21st day of each calendar month subsequent to March 22, 2014.

On May 19, 2014, the Company granted 8,035,500 restricted Class A ordinary shares to employees under 2011 Equity Incentive Plan. Amongst, 874,500 shares were under agreement where 25% of the nonvested restricted shares will vest on the first anniversary of the vesting commencement date as of May 18, 2015, and the remaining 75% will vest at the 18th day of each calendar month subsequent to May 18, 2015; 7,161,000 shares were under agreement where one-forty eighth (1/48) of the nonvested restricted shares will vest at the 18th day of each calendar month subsequent to May 19, 2014.

On July 17, 2014, the Company granted 78,000 restricted Class A ordinary shares to employees under 2011 Equity Incentive Plan. Amongst, 60,000 shares were under agreement where one-forty eighth (1/48) of the nonvested restricted shares will vest at the 16th day of each calendar month subsequent to July 17, 2014; 18,000 shares were under agreement where 25% of the nonvested restricted shares will vest on the first anniversary of the vesting commencement date as of July 16, 2015, and the remaining 75% will vest at the 16th day of each calendar month subsequent to July 16, 2015.

On October 17, 2014, the Company granted 1,144,035 restricted Class A ordinary shares to employees under 2011 Equity Incentive Plan. Amongst, 652,500 shares were under agreement where one-forty eighth (1/48) of the nonvested restricted shares will vest at the 16th day of each calendar month subsequent to October 17, 2014; 237,000 shares were under agreement where 25% of the nonvested restricted shares will vest on the first anniversary of the vesting commencement date as of October 16, 2015, and the remaining 75% will vest at the 16th day of each calendar month subsequent to October 16th, 2015; 254,535 shares were vested immediately after granted.

17. SHARE-BASED COMPENSATION - continued

Nonvested restricted shares - continued

On January 1, 2015, the Company granted 225,000 restricted Class A ordinary shares to employees under 2011 Plan under agreement where one-forty eighth (1/48) of the nonvested restricted shares will vest at the 30th day of each calendar month subsequent to January 1, 2015;

On January 5, 2015, the Company granted 218,592 restricted Class A ordinary shares to employees under 2011 Plan under agreement where one-forty eighth (1/48) of the nonvested restricted shares will vest at the 4th day of each calendar month subsequent to January 5, 2015;

On January 20, 2015, the Company granted 24,000 restricted Class A ordinary shares to employees under 2011 Plan under agreement where one-forty eighth (1/48) of the nonvested restricted shares will vest at the 19th day of each calendar month subsequent to January 20, 2015;

On April 15, 2015, the Company granted 1,170,000 restricted Class A ordinary shares to employees under 2011 Plan under agreement where one-forty eighth (1/48) of the nonvested restricted shares will vest at the 14th day of each calendar month subsequent to April 15, 2015;

On May 15, 2015, the Company granted 3,892,500 restricted Class A ordinary shares to employees under 2011 Plan. Amongst, 3,436,500 shares were under agreement where one-forty eighth (1/48) of the nonvested restricted shares will vest at the 14th day of each calendar month subsequent to May 15, 2015; 456,000 shares were under agreement where 25% of the nonvested restricted shares will vest on the first anniversary of the vesting commencement date as of May 14, 2016, and the remaining 75% will vest at the 14th day of each calendar month subsequent to May14, 2016;

On June 15, 2015, the Company granted 45,000 restricted Class A ordinary shares to employees under 2011 Plan. Amongst, 27,000 shares were under agreement where one-forty eighth (1/48) of the nonvested restricted shares will vest at the 14th day of each calendar month subsequent to June 15, 2015; 18,000 shares were under agreement where 25% of the nonvested restricted shares will vest on the first anniversary of the vesting commencement date as of June 14, 2016, and the remaining 75% will vest at the 14th day of each calendar month subsequent to June 14, 2016;

On September 30, 2015, the Company granted 402,000 restricted Class A ordinary shares to employees under 2011 Plan. Amongst, 300,000 shares were under agreement where one-forty eighth (1/48) of the nonvested restricted shares will vest at the 29th day of each calendar month subsequent to September 30, 2015; 102,000 shares were under agreement where 25% of the nonvested restricted shares will vest on the first anniversary of the vesting commencement date as of September 29, 2016, and the remaining 75% will vest at the 29th day of each calendar month subsequent to September 29, 2016;

17. SHARE-BASED COMPENSATION - continued

Nonvested restricted shares - continued

On November 1, 2015, the Company granted 48,000 restricted Class A ordinary shares to employees under 2011 Plan under agreement where one-forty eighth (1/48) of the nonvested restricted shares will vest at the 30th day of each calendar month subsequent to November 1, 2015.

Immediately before the disposition of Qianjun Technology in November 2014 (see Note 4.3), the Company accelerated the vesting of the nonvested restricted shares that were previously granted to Qianjun Technology's employees to fully vest. As a result, the Company recorded incremental share-based compensation expenses of $1,955, which was considered as disposition-related cost and recorded as a deduction of the gain on deconsolidation of the subsidiaries.

A summary of the nonvested restricted shares activity is as follows:

	Weighted number of nonvested restricted shares	Weighted average fair value per ordinary share at the grant dates
Outstanding as of December 31, 2013	1,764,150	1.10
Granted	9,257,535	1.10
Vested	(3,314,997)	1.09
Forfeited	(1,993,695)	1.10
Outstanding as of December 31, 2014	5,712,993	1.10
Granted	6,025,092	0.97
Vested	(2,084,511)	1.04
Forfeited	(3,643,836)	1.04
Outstanding as of December 31, 2015	6,009,738	1.02

The Company recorded compensation expenses based on the fair value of nonvested restricted shares on the grant dates over the requisite service period of award using the straight line vesting attribution method. The fair value of the nonvested restricted shares on the grant date was the closing market price of the ordinary shares as of the date. The Company recorded the compensation expenses related with nonvested restricted shares from continuing operations of $25, $1,196 and $1,509 and from discontinued operations of $955, $2,735 and $nil for the years ended December 31, 2013, 2014 and 2015, respectively.

17. SHARE-BASED COMPENSATION - continued

Nonvested restricted shares - continued

There was total unrecognized compensation expense of $6,852 related to nonvested restricted shares granted as of December 31, 2015. The expense is expected to be recognized over a weighted-average period of 3.03 years.

In December 2015, the Company provided a loan of $1,930 to one of its employees who was also a 25% noncontrolling shareholder of Wanmen, a subsidiary in which the Company initially owned a 75% equity interest. The employee used the loan to further contribute to Wanmen's capital. In January 2016, the Company waived the loan to the noncontrolling interest shareholder. The Company determined that the waiver of the loan and the capital contribution of Wanmen were a single transaction and accounted for the waiver of the loan as share-based compensation expense during the year ended December 31, 2015.

The amount of share-based compensation expense for options and nonvested restricted shares attributable to cost of revenues, selling and marketing, research and development, general and administrative expenses and loss from the operations of the discontinued operations are as follows:

	Years ended December 31,		
	2013	2014	2015
Gross amount:			
Selling and marketing	$ 138	$ 193	$ 243
Research and development	404	916	781
General and administrative	9,608	18,983	25,481
	10,150	20,092	26,505
Expense from the discontinued operations	5,988	3,512	1,736
Total share-based compensation expense	$ 16,138	$ 23,604	$ 28,241

There was no income tax benefit recognized in the statements of operations for share-based compensation for the years ended December 31, 2013, 2014 and 2015.

18. RELATED PARTY BALANCES AND TRANSACTIONS

Details of related party balances and transactions as of December 31, 2014 and 2015 are as follows:

(1) Amounts due from related parties

As of December 31, 2014 and 2015, amounts due from related parties were $1,001 and $16,484, respectively, and details are as follows:

	Note	As of December 31, 2014	As of December 31, 2015
Gummy Inc., subsidiary of Oak Pacific Holdings ("OPH")	(i)	$ 20	$ 19
Beijing Qian Xiang Hu Lian Technology Development Co., Ltd., ("Hu Lian"), subsidiary of OPH	(i)	342	365
Qingting, equity investee of the Company		220	
JMOOP, equity investee of the Company	9(ii)	419	-
Intermediary			137
Golden Axe, equity investee of the Company	(ii)	-	15,963
Total		$ 1,001	$ 16,484

(i) OPH is an entity controlled by the CEO of the Company. The two subsidiaries of OPH, Gummy Inc. and Hu Lian have acted as collection agents of the Company during 2014 and 2015.

(ii) The balance mainly represents the loans to Shenzhen Golden Axe Co., Ltd. and Golden Axe Inc. (collectively, "Golden Axe"). Since December 2014, the Company entered into a series of loan agreements with Golden Axe, pursuant to which, short-term loans with an aggregate amount of $15,804 were provided by the Company. Among the loans, $3,320 bears interest of 5% per annum and the rest is interest-free. All the loans were expected to be repaid within 12 months. In December 2015, Golden Axe became an equity investee of the Company.

18. RELATED PARTY BALANCES AND TRANSACTIONS - continued

(2) Amounts due to related parties:

	As of December 31,	
	2014	2015
Mapbar Technology Limited, equity investee of the Company	$ 37	$ 36
Total	$ 37	$ 36

(3) Transactions with related parties for amount due from related parties

	Years ended December 31,		
	2013	2014	2015
Back office service provided to Hu Lian, subsidiary of OPH	$ 128	$ 104	$ 38
Professional fees paid for Nuomi by the Company.	175	-	-
Dividend declared but not paid by JMOOP, equity investee of the Company.	-	419	-
Loan to Qingting, equity investee of the Company	-	228	2
Loan to Beautiful Bay Co., Ltd, substantially controlled by the majority shareholder of OPH	-	-	4,775
Intermediary transactions	-	-	142
Total	$ 303	$ 751	$ 4,957

18. RELATED PARTY BALANCES AND TRANSACTIONS - continued

(4) Transactions with related parties for amount due to related parties

	Years ended December 31,		
	2013	2014	2015
Location-based service provided by Mapbar, equity investee of the Company	$ 299	$ 203	$ 110
Internet service provided by Qingting, equity investee of the Company	111	197	-
Used car service provided by 268V Limited, equity investee of the Company			42
Total	$ 410	$ 400	$ 152

(5) In July 2012, the Company purchased $10,000 Series 2012-A Senior Secured Sofi Loan Notes issued by SoFi Lending Corp., a subsidiary of SoFi. OPH is a shareholder of SoFi and the Company's chairman and CEO, Joe Chen, is a director of SoFi. In September 2012, March 2014, January and February 2015, and October 2015, the Company invested $49,000, $20,789, $22,331 and $150,000 in newly issued Series B preferred shares, Series D preferred shares, Series E preferred shares and Series F preferred shares of SoFi, respectively, concurrently with a group of other investors. These transactions were approved by the independent, disinterested members of the Company's board and the audit committee of the board.

(6) In November 2015, the CEO of the Company provided joint and several liability guarantee for a long-term debt with a principal of $69,468 (see Note 12).

19. SEGMENT INFORMATION

The Company's Chief Operating Decision Maker (the "CODM") is the CEO, who is responsible for decisions about allocating resources and assessing performance of the Company.

As described in Note 4, Nuomi, Qingting, Qianjun Technology (excluding Woxiu business), and Online Gaming were treated as discontinued operations. As a result, the Company reevaluted its segments and concluded that it had two remaining reportable segments as of and for the year ended December 31, 2015, namely Renren and Internet Finance. The segment information for the years 2013 and 2014 were retrospectively revised to reflect such changes as follows:

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

The Company does not allocate assets to its current operating segments as management does not believe that allocating these assets is useful in evaluating these segments' performance. Accordingly, the Company has not made disclosure of total assets by reportable segment.

The majority of the Company's revenue for the years ended December 31, 2013, 2014 and 2015 was generated from the PRC.

As of December 31, 2013, 2014 and 2015, respectively, substantially all of long-lived assets of the Company were located in the PRC.

20. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per ordinary share for the years ended:

	Years ended December 31,		
	2013	2014	2015
Net (loss) income:			
(Loss) income from continuing operations	$ (34,424)	$ 29,790	$ (223,177)
Income on discontinued operations, net of tax	98,065	30,288	1,520
Net income (loss)	63,641	60,078	(221,657)
Add: net loss attributable to noncontrolling interest	92	382	1,529
Net income (loss) attributable to Renren Inc. shareholders	$ 63,733	$ 60,460	$ (220,128)
Weighted average number of ordinary shares outstanding used in computing net income (loss) per ordinary share-basic	1,118,091,879	1,059,446,436	1,019,378,556
Incremental weighted average ordinary shares from assumed exercise of stock options using the treasury stock method	12,648,043	8,185,273	7,857,646
Weighted average number of ordinary shares outstanding used in computing net income per ordinary share-diluted	1,130,739,922	1,067,631,709	1,027,236,202
Net (loss) income per ordinary share attributable to Renren Inc. shareholders - basic:			
(Loss) income per ordinary share from continuing operations	$ (0.03)	$ 0.03	$ (0.22)
Income per ordinary share from discontinued operations	$ 0.09	$ 0.03	$ 0.00
Net income (loss) per ordinary share attributable to Renren Inc. shareholders - basic:	$ 0.06	$ 0.06	$ (0.22)
Net (loss) income per ordinary share attributable to Renren Inc. shareholders - diluted:			
(Loss) income per ordinary share from continuing operations	$ (0.03)	$ 0.03	$ (0.22)
Income per ordinary share from discontinued operations	$ 0.09	$ 0.03	$ 0.00
Net income (loss) per ordinary share attributable to Renren Inc. shareholders - diluted:	$ 0.06	$ 0.06	$ (0.22)

For the years ended December 31, 2014 and 2015, 75,475,022 and 71,934,546 stock options and 4,778,877 and 2,232,348 nonvested shares were excluded from the calculation of diluted weighted average number of common shares, respectively, as their effect was anti-dilutive.

21. COMMITMENTS AND CONTINGENCY

(1) Operating lease as lessee

The Company leases its facilities and offices under non-cancelable operating lease agreements. In addition, the Company pays telecommunications carriers and other service providers for telecommunications services and for hosting its servers at their internet data centers under non-cancelable agreements, which are treated as operating leases. These leases expire through 2018 and are renewable upon negotiation. Rental and bandwidth expenses under operating leases for 2013, 2014 and 2015 from continuing operations were $22,096, $18,575, and $12,113 respectively and from discontinued operations were $15,144, $12,272 and $2,553, respectively.

Future minimum lease payments under such non-cancellable leases as of December 31, 2015 are as follows:

2016	$	8,514
2017		7,711
2018		6,255
2019 and thereafter		-
Total	$	22,480

(2) Future minimum principal payments related to the Company's long-term debts as of December 31, 2015 are as follows (see Note 12):

2016	$	-
2017		-
2018		59,260
2019 and thereafter		69,468
Total	$	128,728

(3) Unconditional investment commitment

The Company was obligated to pay up to $4,156 and $24,865 for the acquisition of investments under various arrangements as of December 31, 2014 and 2015, respectively. The Company's investment commitment as of December 31, 2015 mainly related to Credit Shop (see Note 9(xii)).

22. EMPLOYEE BENEFIT PLAN

Full time employees of the Company in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The Company accrues for these benefits based on certain percentages of the employees' salaries. The total provisions for such employee benefits from continuing operations were $15,046, $11,769 and $10,032 and from discontinued operations were $12,487, $4,261 and $621 for the years ended December 31, 2013, 2014 and 2015, respectively.

23. STATUTORY RESERVE AND RESTRICTED NET ASSETS

In accordance with the Regulations on Enterprises with Foreign Investment of China and their articles of association, the Company's subsidiaries and VIE entities located in the PRC, being foreign invested enterprises established in the PRC, are required to provide for certain statutory reserves. These statutory reserve funds include one or more of the following: (i) a general reserve, (ii) an enterprise expansion fund or discretionary reserve fund, and (iii) a staff bonus and welfare fund. Subject to certain cumulative limits, the general reserve fund requires a minimum annual appropriation of 10% of after-tax profit (as determined under accounting principles generally accepted in China at each year-end); the other fund appropriations are at the subsidiaries' or the affiliated PRC entities' discretion. These statutory reserve funds can only be used for specific purposes of enterprise expansion, staff bonus and welfare, and are not distributable as cash dividends except in the event of liquidation of the Company's subsidiaries, the Company's affiliated PRC entities and their respective subsidiaries. The Company's subsidiaries and VIE entities are required to allocate at least 10% of their after-tax profits to the general reserve until such reserve has reached 50% of their respective registered capital. As of December 31, 2015, none of the Company's PRC subsidiaries and VIE entities had a general reserve that reached the 50% of their registered capital threshold, therefore they will continue to allocate at least 10% of their after-tax profits to the general reserve fund.

Appropriations to the enterprise expansion reserve and the staff welfare and bonus reserve are to be made at the discretion of the board of directors of each of the Company's subsidiaries.
The appropriation to these reserves by the Company's PRC subsidiaries was $nil, $nil and $nil for the years ended December 31, 2013, 2014 and 2015, respectively.

As a result of these PRC laws and regulations and the requirement that distributions by PRC entities can only be paid out of distributable profits computed in accordance with PRC GAAP, the PRC entities are restricted from transferring a portion of their net assets to the Company. Amounts restricted include paid-in capital and the statutory reserves of the Company's PRC subsidiaries and VIE entities. The aggregate amounts of capital and statutory reserves restricted which represented the amount of net assets of the relevant subsidiaries and VIE entities in the Company not available for distribution was $350,823 as of December 31, 2015.

24. SUBSEQUENT EVENT

Stock incentive plan

On January 15, 2016, the Company approved to increase the total number of shares issuable under the 2011 Plan by 45,000,000 class A ordinary shares to 110,014,158 class A ordinary shares; meanwhile, the Company approved a 2016 stock incentive plan, pursuant to which the maximum number of shares of the Company available for issuance pursuant to all awards thereunder shall be 53,596,236 class A ordinary shares of the Company.

Asset-backed securitization

On January 21, 2016, the Company originated the issuance of an asset-backed security product with a size approximating $46,287, collateralized by its creditor's rights arising from the internet finance business in relation to the used automobiles purchase financing. The security product is traded on the Shanghai Stock Exchange. The Company is in the process of assessing the accounting impact for the transaction.

Long-term investment

(1) In January 2016, the Company acquired 26,081,176 Series B Preferred Shares issued by Golden Axe, an equity method investee of the Company as of December 31, 2015. As a result, the Company's equity ownership increased to 20.46%.

(2) In Jannuary 2016, the Company purchased Series C Preferred Shares with a consideration of $950 from Fiscal Note, Inc..

(3) In February 2016, the Company purchased additional Series A Preferred Shares with a consideration of $20,000 from Credit Shop according to the convertible revolving loan arrangement (see Note 9 (xii).

(4) In March 2016, the Company purchased Series A Preferred shares with a consideration of $2,437 from Onerent Inc..

(5) In March 2016, the Company purchased Series B++ Preferred Shares with a consideration of $1,000 from Omni.

24. SUBSEQUENT EVENT - continued

(6) In March 2016, the Company purchased shares with a consideration of $2,933 from Beijing Da Zhang Fang Internet Technology Co., Ltd..

(7) In March 2016, the Company purchased common shares with a consideration of $3,087 from Beijing Cai Qiu Shi Ji Technology Development Co., Ltd..

(8) In March 2016, the Company provided a loan of $200 to Sindeo, Inc. ("Sindeo"), an equity method investee of the Company. The loan bears interest at an annual rate of 5%. The sum of the principal and the interest would be automatically converted into Sindeo's equity securities upon the occurrence of certain condition or within 18 months.

(9) In April 2016, ESS exercised the option to request additional investment of $7,000 from the Company. The Company made the investment accordingly (see Note 9(v)).

(10) From February 2016 to April 2016, the Company made investments of $200, $200 and $146 to Future Capital Discovery Fund I, L.P., 11.2 Capital I, L.P. and Social Leverage Capital Fund II, L.P., respectively.

(11) From February 2016 to April 2016, the Company withdrew all of its investment in Hayman for an amount of $30,000.

(12) In May 2016, the Company purchased Series C Preferred Shares with a consideration of $500 from GoGo.

RENREN INC.

Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
BALANCE SHEETS
(U.S. dollars in thousands, except share data and per share data, or otherwise noted)

	As of December 31,	
	2014	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 95,485	$ 5,633
Restricted cash	-	115,370
Term deposits	139,890	-
Short-term investments	28,139	-
Prepaid expenses and other current assets	3,048	18,848
Amounts due from subsidiaries	933,496	1,062,047
Amounts due from related parties	419	-
Total current assets	1,200,477	1,201,898
Long-term investments	83,403	242,099
Investment in subsidiaries	(192,061)	(350,092)
Other non-current assets	18,460	-
TOTAL ASSETS	$ 1,110,279	$ 1,093,905
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	-	100,000
Accrued expenses and other current liabilities	1,614	3,135
Income tax payable	6,027	-
Total current liabilities	7,641	103,135
Long-term liabilities	-	53,570
Other non-current liabilities	-	6,656
TOTAL LIABILITIES	7,641	163,361
Equity:		
Class A ordinary shares, $0.001 par value, 3,000,000,000 shares authorized,720,040,971 and 714,365,091 shares issued and outstanding as of December 31, 2014 and 2015, respectively	720	714
Class B ordinary shares, $0.001 par value, 500,000,000 shares authorized, 305,388,450 and 305,388,450 shares issued and outstanding as of December 31, 2014 and 2015, respectively	305	305
Additional paid-in capital	1,224,393	1,243,083
Accumulated deficit	(130,554)	(350,682)
Accumulated other comprehensive income	7,774	37,124
Equity	1,102,638	930,544
TOTAL LIABILITIES AND EQUITY	$ 1,110,279	$ 1,093,905

RENREN INC.

Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(U.S. dollars in thousands, except share data and per share data, or otherwise noted)

	Years ended December 31,		
	2013	2014	2015
Selling and marketing	$ 398	$ 625	$ 243
Research and development	697	1,342	780
General and administrative	14,820	24,964	28,811
Total operating expenses	15,915	26,931	29,834
Other income (loss)	574	332	(528)
Exchange gain (loss) on offshore bank accounts	1,386	(2,314)	(376)
Interest income	12,508	7,059	(339)
Realized gain on short-term investments	56,727	167,225	4,102
Impairment of short-term investments	(2,098)	-	-
Earnings (loss) in equity method investments	23,070	4,835	(3,516)
Gain (loss) on disposal of equity method investments	-	60,116	(534)
Gain on deconsolidation of the subsidiaries	132,821	-	
Equity in loss of subsidiaries and variable interest entities	(145,340)	(149,862)	(189,103)
Net income (loss)	$ 63,733	$ 60,460	$ (220,128)
Other comprehensive income (loss), net of tax:			
Foreign currency translation	4,805	(5,039)	(7,777)
Net unrealized gain on available-for-sale investments, net of tax of $nil for the years ended December 31, 2012, 2013 and 2014, respectively	183,932	13,223	40,695
Transfer to statements of operations of realized gain on available-for-sale securities, net of tax of $nil for the years ended December 31, 2012, 2013 and 2014, respectively	(55,768)	(175,191)	(3,568)
Transfer to statements of operations as a result of other-than-temporary impairment of short-term investments, net of tax of $nil	2,098	-	-
Other comprehensive income (loss)	$ 135,067	$ (167,007)	$ 29,350
Comprehensive income (loss)	$ 198,800	$ (106,547)	$ (190,778)

RENREN INC.

Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
STATEMENT OF CHANGES IN EQUITY
(U.S. dollars in thousands, except share data and per share data, or otherwise noted)

	Class A ordinary shares		Class B ordinary shares		Treasury shares		Additional paid-in capital	Subscription receivable	Accumulated deficit	Accumulated other comprehensive income	Total Renren Inc.'s equity
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 1, 2013	729,848,742	$ 730	402,680,117	$ 403	-	-	$ 1,319,044	$ (229)	$ (254,747)	$ 39,714	$1,104,915
Stock-based compensation	-	-	-	-	-	-	16,138	-	-	-	16,138
Other comprehensive income	-	-	-	-	-	-	-	-	-	135,067	135,067
Net income	-	-	-	-	-	-	-	-	63,733	-	63,733
Exercise of share option and restricted shares vesting	16,763,199	17	2,708,333	2	-	-	4,013	-	-	-	4,032
Repurchase of ordinary shares	(56,635,569)	(57)	-	-	-	-	(55,517)				(55,574)
Transfer Class B shares to Class A shares	100,000,000	100	(100,000,000)	(100)	-	-	-	-	-	-	-
Bad debt provision of share subscription receivables	-	-	-	-	-	-	-	229	-	-	229
Receipt of repayment from shareholder	-	-	-	-	-	-	1,605	-	-	-	1,605
Balance at December 31, 2013	789,976,372	$ 790	305,388,450	$ 305	-	-	$ 1,285,283	-	$ (191,014)	$ 174,781	$1,270,145
Stock-based compensation	-	-	-	-	-	-	23,604	-	-	-	23,604
Other comprehensive income	-	-	-	-	-	-	-	-	-	(167,007)	(167,007)
Net income	-	-	-	-	-	-	-	-	60,460	-	60,460
Exercise of share option and restricted shares vesting	10,792,736	11	-	-	-	-	2,748	-	-	-	2,759
Repurchase of ordinary shares	(80,728,137)	(81)	-	-	-	-	(87,242)	-	-	-	(87,323)
Balance at December 31, 2014	720,040,971	$ 720	305,388,450	$ 305	-	-	$ 1,224,393	-	$ (130,554)	$ 7,774	$1,102,638
Stock-based compensation	-	-	-	-	-	-	28,241	-	-	-	28,241
Other comprehensive income	-	-	-	-	-	-	-	-	-	29,350	29,350
Net income	-	-	-	-	-	-	-	-	(220,128)	-	(220,128)
Exercise of share option and restricted shares vesting	5,236,230	5	-	-	-	-	1,362	-	-	-	1,367
Repurchase of ordinary shares	(10,912,110)	(11)	-	-	-	-	(10,281)	-	-	-	(10,292)
Purchase of noncuntrolling Interest in Jiehun China	-	-	-	-	-	-	119	-	-	-	119
Decrease in equity interest of Wanmen	-	-	-	-	-	-	(751)	-	-	-	(751)

Balance at December 31, 2015	714,365,091	$ 714	305,388,450	$ 305	-	-	$ 1,243,083	-	$ (350,682)	$ 37,124	$ 930,544

RENREN INC.

Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands, except share data and per share data, or otherwise noted)

	Years ended December 31,		
	2013	2014	2015
Cash flows from operating activities:			
Net income (loss)	$ 63,733	$ 60,460	$ (220,128)
Equity in income of subsidiaries and variable interest entities	145,340	149,862	189,103
Share-based compensation expense	11,754	22,827	24,575
Gain on deconsolidation of subsidiaries	(132,821)	-	-
Gain (loss) on disposal of equity method investment	-	(60,116)	534
Depreciation and amortization	267	-	-
Exchange (gain) loss on offshore accounts	(1,386)	2,314	376
Impairment on short-term investments	2,098	-	-
Gain on short-term investments and fair value change of derivatives	(56,727)	(167,225)	(4,102)
(Earnings) loss in equity method investments	(23,070)	(4,835)	3,516
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	(9)	1,770	2,796
Accrued expenses and other current liabilities	538	(444)	(5,040)
Other non-current liabilities	-	-	966
Increase in amounts due from subsidiaries	(250,013)	(512,295)	(128,551)
Capital distribution received from Japan Macro	19,158	25,321	-
Net cash used in operating activities	(221,138)	(482,361)	(135,955)
Cash flows from investing activities:			
Restricted cash	-	-	(15,370)
Decrease in term deposits	158,687	250,495	139,514
Proceeds from sale of available-for-sale securities	118,958	415,528	33,416
Proceeds from sale of derivative financial instruments	959	80,861	-
Proceeds from principal return on Series 2012-A Senior Secured Sofi Loan Notes	1,353	1,370	984
Proceeds from sales of equity method investment	-	46,484	-
Capital distribution received from equity method investees	-	74,721	9,854
Dividend received from available-for-sale securities	-	1,050	137
Purchase of available-for-sale securities	(88,676)	(129,407)	-
Purchase of derivative financial instruments	-	(90,112)	-
Purchase of equity method investments	(20,000)	(20,789)	(172,331)
Purchase of cost method investments	-	-	(300)
Cash disposed of from deconsolidation of subsidiaries	(18,309)	-	-
Net cash provided by (used in) investing activities	152,972	630,201	(4,096)
Cash flows from financing activities:			
Repurchase of ordinary shares	(55,575)	(76,462)	(10,292)
Deposits for share repurchase	(10,860)	-	-
Proceeds from exercise of share options	2,913	2,514	1,231
Proceeds from the issuance of promissory note issued to Nuomi Inc.	60,884	-	-
Proceeds from borrowings	-	-	159,260
Restricted cash from debt borrowings	-	-	(100,000)
Repayment of promissory note issued to Nuomi Inc.	-	(60,884)	-
Net cash (used in) provided by financing activities	(2,638)	(134,832)	50,199
Net (decrease) increase in cash and cash equivalents	(70,804)	13,008	(89,852)
Cash and cash equivalents at beginning of year	153,390	82,586	95,485
Effect of exchange rate changes	-	(109)	-
Cash and cash equivalents at end of year	$ 82,586	$ 95,485	5,633

RENREN INC.

Additional Information - Financial Statement Schedule I
Condensed Financial Information of Parent Company
NOTES TO FINANCIAL STATEMENTS
(U.S. dollars in thousands, except share data and per share data, or otherwise noted)

1. BASIS FOR PREPARATION

The condensed financial information of the Parent Company has been prepared using the same accounting policies as set out in the Company's consolidated financial statements except that the Parent Company used the equity method to account for investments in its subsidiaries and VIE.

The condensed financial information is provided since the restricted net assets of the Company's subsidiaries, VIE and VIE's subsidiaries were $350,823, over 25% of the consolidated net assets of the Company as of December 31, 2015.

2. INVESTMENTS IN SUBSIDIARIES, VIE AND VIE'S SUBSIDIARIES

The Parent Company and its subsidiaries, VIEs and VIEs' subsidiaries were included in the consolidated financial statements where inter-company balances and transactions were eliminated upon consolidation. For purpose of the Parent Company's stand-alone financial statements, its investments in subsidiaries, VIEs and VIEs' subsidiaries were reported using the equity method of accounting. The Parent Company's share of loss from its subsidiaries, VIEs and VIEs' subsidiaries were reported as share of loss of subsidiaries, VIEs and VIEs' subsidiaries in the accompanying Parent Company financial statements. Ordinarily under the equity method, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of this Schedule I, the Parent Company has continued to reflect its share, based on its proportionate interest, of the losses of subsidiaries, VIEs and VIEs' subsidiaries regardless of the carrying value of the investment even though the Parent Company is not obligated to provide continuing support or fund losses.

Japan Macro Opportunities Offshore Partners, L.P.

(A Cayman Islands Exempted Limited Partnership)

Financial Statements as of and for the
Year Ended December 31, 2013, and
Independent Auditors' Report

Deloitte & Touche
One Capital Place
P.O. Box 1787
Grand Cayman KY1-1109
CAYMAN ISLANDS

Tel: +1 345 949 7500
Fax:+1 345 949 8238
cayman@deloitte.com
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the General Partner of
Japan Macro Opportunities Offshore Partners, L.P.:

We have audited the accompanying financial statements of Japan Macro Opportunities Offshore Partners, L.P. (a Cayman Islands Exempted Limited Partnership) (the "Partnership"), which comprise the statement of assets and liabilities, as of December 31, 2013, and the related statements of operations, changes in partners' capital and cash flows for the year then ended (all expressed in United States dollars), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2013, and the results of its operations, changes in its partners' capital, and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche

March 26, 2014

Member firm of
Deloitte Touche Tohmatsu Limited

JAPAN MACRO OPPORTUNITIES OFFSHORE PARTNERS, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF ASSETS AND LIABILITIES
AS OF DECEMBER 31, 2013
(Expressed in U.S. dollars)

ASSETS	
INVESTMENT IN JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P. (the "Master Fund") — At fair value	$ 154,358,735
CASH	107,856
WITHDRAWALS RECEIVABLE FROM MASTER FUND	9,265,450
TOTAL	$ 163,732,041
LIABILITIES AND PARTNERS' CAPITAL	
CAPITAL DISTRIBUTIONS PAYABLE	$ 9,296,470
CAPITAL WITHDRAWALS PAYABLE	76,105
ACCRUED EXPENSES	25,307
PARTNERS' CAPITAL	154,334,159
TOTAL	$ 163,732,041

See notes to financial statements and attached financial statements of the Master Fund.

JAPAN MACRO OPPORTUNITIES OFFSHORE PARTNERS, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Expressed in U.S. dollars)

REALIZED AND UNREALIZED GAIN ON INVESTMENTS ALLOCATED FROM MASTER FUND:	
Realized gain on derivative instruments and securities	$ 25,850,621
Net change in unrealized appreciation/depreciation on derivative instruments and securities	101,789,651
Realized and unrealized gain on derivative instruments and securities allocated from Master Fund	127,640,272
NET INVESTMENT LOSS ALLOCATED FROM MASTER FUND:	
Interest expense	(64,668)
Management fees	(1,800,215)
Professional, administrator and other expenses	(321,220)
Net investment loss allocated from Master Fund	(2,186,103)
PARTNERSHIP EXPENSES — Other expenses	(49,136)
NET INVESTMENT LOSS	(2,235,239)
INCREASE IN PERFORMANCE DISTRIBUTION AT MASTER FUND	(13,914,913)
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS	$ 111,490,120

See notes to financial statements and attached financial statements of the Master Fund.

JAPAN MACRO OPPORTUNITIES OFFSHORE PARTNERS, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(Expressed in U.S. dollars)

	General Partner	Limited Partners	Total
PARTNERS' CAPITAL — January 1, 2013	$ -	$ 77,293,563	$ 77,293,563
Capital contributions	-	34,790,500	34,790,500
Capital distributions	-	(60,207,624)	(60,207,624)
Capital withdrawals	-	(9,032,400)	(9,032,400)
Net increase in partners' capital resulting from operations	-	111,490,120	111,490,120
PARTNERS' CAPITAL — December 31, 2013	$ -	$ 154,334,159	$ 154,334,159

See notes to financial statements and attached financial statements of the Master Fund.

JAPAN MACRO OPPORTUNITIES OFFSHORE PARTNERS, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Expressed in U.S. dollars)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net increase in partners' capital resulting from operations	$ 111,490,120
Adjustments to reconcile net increase in partners' capital resulting from operations to net cash provided by operating activities:	
Net investment loss allocated from Master Fund	2,186,103
Net change in unrealized appreciation/depreciation on derivative instruments and securities allocated from Master Fund	(101,789,651)
Realized gain on derivative instruments and securities allocated from Master Fund	(25,850,621)
Increase in performance distribution at Master Fund	13,914,913
Contributions to Master Fund	(34,790,500)
Distributions from Master Fund	60,207,624
Withdrawals from Master Fund	9,082,915
Increase in withdrawals receivable from Master Fund	(9,265,450)
Decrease in other assets	1,326
Decrease in accrued expenses	(1,974)
Net cash provided by operating activities	25,184,805
CASH FLOWS FROM FINANCING ACTIVITIES:	
Capital contributions	34,790,500
Capital distributions, net the increase in capital distributions payable of $9,296,470	(50,911,154)
Capital withdrawals, net the increase in capital withdrawals payable of $33,419	(8,998,981)
Net cash used in financing activities	(25,119,635)
NET CHANGE IN CASH AND CASH EQUIVALENTS	65,170
CASH AND CASH EQUIVALENTS — Beginning of year	42,686
CASH AND CASH EQUIVALENTS — End of year	$ 107,856
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid for interest	$ 64,671

See notes to financial statements and attached financial statements of the Master Fund.

1. ORGANIZATION

Japan Macro Opportunities Offshore Partners, L.P. (the "Partnership") is a Cayman Islands exempted limited partnership organized on March 22, 2010, which began operations on July 9, 2010. The limited partnership agreement (the "Partnership Agreement") was most recently amended and restated on August 1, 2011. The Partnership is registered under the Mutual Funds Law of the Cayman Islands. The Partnership has elected to be taxed as a corporation from a U.S. federal income tax perspective. The investment objective of the Partnership is to achieve capital appreciation through investments in public and private securities and other financial instruments. This investment strategy is executed solely through an investment in Japan Macro Opportunities Master Fund, L.P. (the "Master Fund") (a Cayman Islands Exempted Limited Partnership). Japan Macro Opportunities Partners, L.P. a Delaware limited partnership (the "Onshore Fund"), also invests in the Master Fund. As of December 31, 2013, the Partnership owns approximately 45% of the Master Fund, after the impact of the accrued performance distribution at December 31, 2013. See Note 4 Related-Party Transactions for additional details.

Hayman Offshore Management, Inc. is the general partner (the "General Partner") of the Partnership, and a general partner of the Master Fund. Hayman Capital Management L.P. is the managing general partner of the Master Fund (the "Managing General Partner"). Hayman Advisors SLP, L.P., an affiliate of the General Partner, was designated by the General Partner as the special limited partner (the "Special Limited Partner") of the Master Fund. For the year ended December 31, 2013, the General Partner had no partner capital balance in the Partnership.

Equinoxe Alternative Investment Services (Bermuda) Ltd. ("Equinoxe") performs various administrative services for the Partnership.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying financial statements are presented using accounting principles generally accepted in the United States of America (GAAP). Financial statements prepared on a GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Investment in Master Fund — The Partnership's investment in the Master Fund is valued at fair value as determined by the General Partner based on the partners' capital balance reflected in the financial statements of the Master Fund. The performance of the Partnership is directly affected by the performance of the Master Fund. The financial statements of the Master Fund, which are an integral part of these financial statements, are attached.

Income and Expense Recognition — The Partnership's pro-rata share of income and expense and realized and unrealized gain and loss from its direct investment in the Master Fund are included in their appropriate revenue and expense categories in the Partnership's Statement of Operations. In addition, the Partnership accrues its own direct expenses.

Cash and Cash Equivalents — The Partnership defines cash and cash equivalents as cash and short-term, highly liquid investments with original maturities of 90 days or less. Additional information on cash receipts and payments is presented in the Statement of Cash Flows.

Income Taxes — The Partnership is registered as an exempted limited partnership pursuant to the Exempted Limited Partnership Law of the Cayman Islands. No local income, profits, or capital gains taxes are levied in the Cayman Islands at the current time. The Partnership has also received an undertaking from the Cayman Islands' government that, for a period of 50 years from May 11, 2010, the Partnership will be exempt from taxation in the Cayman Islands. The only taxes payable by the Partnership on its income are withholding taxes applicable to certain income.

The Partnership determines whether a tax position of the Partnership is more likely than not to be sustained upon examination by the applicable taxing authority, including the resolution of any related appeals or litigation processes, based on the technical merits of the position. The Partnership reviews and evaluates tax positions in the jurisdictions in which the Partnership operates and determines whether or not there are uncertain tax positions that require financial statement recognition. Based on this review management concluded that, the Partnership's tax returns will remain open for examination by major tax jurisdictions, including U.S. Federal, U.S. states, Japan, Cayman Islands and foreign jurisdictions where the Partnership and Master Fund make significant investments, for the amount of time specified under the applicable statutes of limitations (with limited exceptions). The Partnership's tax returns will remain open for examination by tax authorities for a period of three years from when they are filed. Accordingly, the Partnership's 2010, 2011, and 2012 tax returns remain open for examination. The Partnership is additionally not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months. As a result, no income tax liability or expense has been recorded in the accompanying financial statements.

Capital Contributions, Distributions, Withdrawals and Allocation of Partnership Profits and Losses — Capital contributions received at each closing are maintained in special memorandum accounts on the books and records of the Master Fund and invested in a portfolio of investments (each, a "Tranche"). A new Tranche is established at each closing and only those investors making capital contributions at that closing have an interest in that Tranche. The appreciation, depreciation and expenses attributable to a Tranche are allocated only to investors with an interest in that Tranche. The Partnership is a single legal entity, and the Tranches are not separate legal entities. As of December 31, 2013, the Partnership participated in 15 Tranches in the Master Fund — E, G-L, O-S, U, W, and X. The table below summarizes the contributions, distributions, and withdrawals by Tranche during the year ended December 31, 2013:

Tranche	Contributions	Distributions	Withdrawals
A	$ -	$ 5,779,894	$ (7,316)
D	-	1,589,441	-
E	4,454,500	7,691,378	-
F	-	1,573,303	-
G	-	-	1,083,291
H	-	393,180	99,537
I	-	3,172,155	1,387,836
J	-	9,335,583	-
L	-	3,543,000	-
O	-	2,719,133	486,885
P	-	19,158,238	-
Q	-	4,722,651	5,588,522
U	-	529,668	-
W	20,000,000	-	-
X	10,336,000	-	393,645
	$ 34,790,500	$ 60,207,624	$ 9,032,400

Capital withdrawals are permitted at the end of each quarter after a limited partner has held a tranche interest for at least three years. Withdrawals made within the first three years will be subject to a 5% withdrawal fee. Capital withdrawal requests must be delivered prior to the end of the quarter preceding the withdrawal date. Withdrawal fees of $75,000 were charged to limited partners that withdrew from the Partnership during the year ended December 31, 2013. Withdrawal fees are reported as a reduction in withdrawals of Tranches A, H, O, and X and were allocated pro-rata among the remaining Limited Partners in the respective tranches across the Partnership and the Onshore Fund. The General Partner does not charge a withdrawal fee when the partners in a Tranche are all affiliated.

Using the net asset value from the close, subsequent to the withdrawal request, the General Partner will determine the net asset value of the tranche and segregate the pro-rata portion of each asset in the tranche for the benefit of the withdrawing limited partner. The General Partner will then sell the segregated assets prior to the withdrawal date and specially allocate the gains and losses attributable to the segregated assets to the withdrawing investor.

Capital withdrawals are recorded as liabilities, net of any performance distribution, when the amount requested in the withdrawal notice becomes fixed and determinable. Withdrawal notices received for which the dollar amount is not fixed remain in capital until the amount is determined.

The profits and losses of each Tranche of the Partnership are allocated to each partner based upon the amount of such partner's capital balance of each Tranche as of the beginning of each month.

Indemnities — The General Partner on behalf of the Partnership enters into certain contracts that contain a variety of indemnifications. The Partnership's maximum exposure under these arrangements is unknown. However, the Partnership has not had any prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

3. FAIR VALUE MEASUREMENTS

The Partnership uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The General Partner believes the most relevant fair value disclosure relates to the Master Fund's investment portfolio and can be found in Note 3 of the Master Fund's financial statements, which are attached to these statements.

4. RELATED-PARTY TRANSACTIONS, INCLUDING MANAGEMENT AND PERFORMANCE DISTRIBUTION

Management fees and the performance distributions occur at the Master Fund level. During the year ended December 31, 2013, the Partnership was allocated management fees of $1,800,215. For the year ended December 31, 2013, the performance distribution paid to the special limited partner was $137,093. As of December 31, 2013, the accrued performance distribution payable to the Special Limited Partner with respect to the Partnership (based on a hypothetical liquidation of the Master Fund) is $13,777,820. The Special Limited Partner of the Master Fund has no claim to, and does not receive any economic benefit from, any accrued performance distribution until distributions made to a limited partner exceed aggregate capital contributions to all Tranches made by such partner.

5. FINANCIAL HIGHLIGHTS

The following are the Partnership's financial highlights, by Tranche, for the year ended December 31, 2013. Total returns are calculated by Tranche for the limited partner group as a whole, which may differ from returns for any individual partners due to certain limited partners being exempt from management fees.

	Total Return [1]			Ratios to Average Limited Partners' Capital [2,3]:			
	Before Performance Distribution	Performance Distribution	After Performance Distribution	Expenses — Excluding Performance Distribution	Performance Distribution	Expenses — Including Performance Distribution	Net Investment Loss
Tranche E	169.51%	(2.63)%	166.88%	(1.40)%	(1.32)%	(2.72)%	(1.40)%
Tranche F	161.74	-	161.74	(1.33)	-	(1.33)	(1.33)
Tranche G	86.52	-	86.52	(1.47)	-	(1.47)	(1.47)
Tranche H	105.77	-	105.77	(1.40)	-	(1.40)	(1.40)
Tranche I	130.89	2.52	133.41	(1.32)	-	(1.32)	(1.32)
Tranche J	188.44	(14.89)	173.55	(1.43)	(13.99)	(15.42)	(1.43)
Tranche K	120.53	(8.97)	111.56	(1.35)	(6.36)	(7.71)	(1.35)
Tranche L	225.49	-	225.49	(1.37)	-	(1.37)	(1.37)
Tranche O	152.76	(25.74)	127.02	(1.51)	(15.13)	(16.64)	(1.51)
Tranche P	179.44	(29.22)	150.22	(1.56)	(17.72)	(19.28)	(1.56)
Tranche Q	191.35	(23.32)	168.03	(1.51)	(11.76)	(13.27)	(1.51)
Tranche R	136.55	(18.67)	117.88	(1.51)	(12.27)	(13.78)	(1.51)
Tranche S	96.93	(11.84)	85.09	(1.47)	(8.46)	(9.93)	(1.47)
Tranche U	189.63	(36.72)	152.91	(1.49)	(19.34)	(20.83)	(1.49)
Tranche W	40.09	(8.02)	32.07	(1.53)	(7.96)	(9.49)	(1.53)
Tranche X	54.95	(13.24)	41.71	(1.51)	(10.39)	(11.90)	(1.51)

1 Computed as the percentage change in value during the period of a theoretical limited partner investment made at the beginning of the year or when a Tranche was created, net of all fees and expenses. Total return has not been annualized for those Tranches created during the year.

2 Average partners' capital has been computed based on monthly valuations. Ratios have been annualized for those Tranches created during the year. Performance distribution ratios have not been annualized.

3 Includes the proportionate share of the Partnership's income and expenses allocated from the Master Fund.

6. SUBSEQUENT EVENTS

For the purpose of issuing these financial statements, management evaluated events and transactions through and including March 26, 2014, the date these financial statements were available to be issued. Subsequent to December 31, 2013, the Partnership issued Tranche Y following the receipt of capital contributions of approximately $40 million and paid out distributions of approximately $38 million and withdrawals of $1.3 million, of which $9.3 million and $.1 million were accrued, respectively, at year-end.

* * * * * *

Japan Macro Opportunities Master Fund, L.P.

(A Cayman Islands Exempted Limited Partnership)

Financial Statements as of and for the
Year Ended December 31, 2013, and
Independent Auditors' Report

Deloitte & Touche
One Capital Place
P.O. Box 1787
Grand Cayman KY1-1109
CAYMAN ISLANDS

Tel: +1 345 949 7500
Fax:+1 345 949 8238
cayman@deloitte.com
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the General Partner of
Japan Macro Opportunities Master Fund, L.P.:

We have audited the accompanying financial statements of Japan Macro Opportunities Master Fund, L.P. (a Cayman Islands Exempted Limited Partnership) (the "Master Fund"), which comprise the statement of assets and liabilities, including the condensed schedule of investments, as of December 31, 2013, and the related statements of operations, changes in partners' capital, and cash flows for the year then ended (all expressed in United States dollars), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Master Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Master Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Master Fund as of December 31, 2013, and the results of its operations, changes in its partners' capital and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche

March 26, 2014

Member firm of
Deloitte Touche Tohmatsu Limited

JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF ASSETS AND LIABILITIES
AS OF DECEMBER 31, 2013
(Expressed in U.S. dollars)

ASSETS	
DERIVATIVE INSTRUMENTS — At fair value (cost $192,014,691)	$ 298,660,977
SECURITIES — At fair value (cost $125,758,605)	125,769,866
CASH AND CASH EQUIVALENTS	131,346,327
DUE FROM BROKERS	30,691,445
OTHER ASSETS	28,808
TOTAL	$ 586,497,423
LIABILITIES AND PARTNERS' CAPITAL	
COLLATERAL PAYABLE	$ 177,910,815
ACCRUED EXPENSES	77,252
CAPITAL DISTRIBUTIONS PAYABLE	47,296,714
CAPITAL WITHDRAWALS PAYABLE	18,162,516
PARTNERS' CAPITAL	343,050,126
TOTAL	$ 586,497,423

See notes to financial statements.

JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P.
(A Cayman Islands Exempted Limited Partnership)

CONDENSED SCHEDULE OF INVESTMENTS
AS OF DECEMBER 31, 2013
(Expressed in U.S. dollars)

	Fair Value
DERIVATIVE INSTRUMENTS (87.1% of partners' capital):	
Interest rate swaptions — Japanese LIBOR (2.8% of partners' capital):	
Swaptions with original maturities less than 1 year (January 2014–May 2014)	$ 269,736
Swaptions with original maturities of 3 years (January 2014–May 2016)	9,337,578
Total interest rate swaptions — Japanese LIBOR (cost $46,620,884)	9,607,314
Foreign currency options — Japanese Yen (84.3% of partners' capital):	
Options with original maturities of 1–2 years (February 2014–June 2015)	120,086,109
Options with original maturities of 2–3 years (March 2014–June 2016)	168,967,554
Total foreign currency options — Japanese Yen (cost $145,393,807)	289,053,663
DERIVATIVE INSTRUMENTS — (cost $192,014,691)	$ 298,660,977
SECURITIES — US GOVERNMENT OBLIGATIONS (36.7% of partners' capital)	
US Treasury bills 6–12 month original maturities:	
$42,797,000 US Treasury bills 6–month original maturity (Feb. 2014–March 2014)	$ 42,792,154
$53,506,000 US Treasury bills 12–month original maturity (Jan. 2014–May 2014)	53,505,898
Total US Treasury bills 6–12 month original maturities	96,298,052
US Treasury notes 5–7 year original maturities (August 2017–Nov. 2020)	4,668,487
US Treasury inflation-indexed bonds 5–30 year original maturities (April 2017–April 2028)	24,803,327
SECURITIES — US GOVERNMENT OBLIGATIONS — (cost $125,758,605)	$ 125,769,866

See notes to financial statements.

JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Expressed in U.S. dollars)

REALIZED AND UNREALIZED GAINS ON DERIVATIVE INSTRUMENTS AND SECURITIES:	
Net realized gains on derivative instruments and securities	$ 92,192,671
Net change in unrealized appreciation/depreciation on derivative instruments and securities	171,826,438
Net realized and unrealized gains on derivative instruments and securities	264,019,109
EXPENSES:	
Management fees	3,963,867
Interest expense	121,014
Professional, administrator and other	706,478
Total expenses	4,791,359
NET INVESTMENT LOSS	(4,791,359)
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS	$ 259,227,750

See notes to financial statements.

JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P.

(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(Expressed in U.S. dollars)

	Special Limited Partner	Japan Macro Opportunities Partners, L.P.	Japan Macro Opportunities Offshore Partners, L.P.	Total
PARTNERS' CAPITAL — January 1, 2013	$ 427,724	$ 58,688,178	$ 77,319,518	$ 136,435,420
Capital contributions	-	98,629,500	34,790,500	133,420,000
Capital withdrawals	(3,175,444)	(20,150,864)	(9,082,915)	(32,409,223)
Capital distributions	(415,462)	(93,000,735)	(60,207,624)	(153,623,821)
Net increase in partners' capital resulting from operations	-	133,773,581	125,454,169	259,227,750
Performance distribution (see Note 7)	33,519,860	(19,604,947)	(13,914,913)	-
PARTNERS' CAPITAL — December 31, 2013	$ 30,356,678	$ 158,334,713	$ 154,358,735	$ 343,050,126

See notes to financial statements.

JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Expressed in U.S. dollars)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net increase in partners' capital resulting from operations	$ 259,227,750
Adjustments to reconcile net increase in partners capital resulting from operations to net cash provided by operating activities:	
Payments for derivative instruments	(125,585,553)
Proceeds from sales of derivative instruments	184,038,604
Payments for securities	(466,202,808)
Proceeds from sales of securities	382,985,764
Net realized gains on derivative instruments and securities	(92,192,671)
Net change in unrealized appreciation/depreciation on derivative instruments and securities	(171,826,438)
Increase in due from broker	(30,691,445)
Increase in collateral payable	177,910,815
Decrease in other assets	51,797
Decrease in accrued expenses	(1,658)
Net cash provided by operating activities	117,714,157
CASH FLOWS FROM FINANCING ACTIVITIES:	
Capital contributions	133,420,000
Capital withdrawals, net of capital withdrawals payable of $18,162,516	(14,246,707)
Capital distributions, net of capital distributions payable of $47,296,714	(106,327,107)
Net cash provided by financing activities	12,846,186
NET CHANGE IN CASH AND CASH EQUIVALENTS	130,560,343
CASH AND CASH EQUIVALENTS — Beginning of year	785,984
CASH AND CASH EQUIVALENTS — End of year	$ 131,346,327
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid for interest	$ 111,570

See notes to financial statements.

1. ORGANIZATION

Japan Macro Opportunities Master Fund, L.P. (the “Master Fund”) is a Cayman Islands exempted limited partnership organized under the laws of the Cayman Islands. In March 2012, the Master Fund registered with the Cayman Islands Monetary Authority (“CIMA”) pursuant to an amendment to the Mutual Funds Law of the Cayman Islands which requires “master funds” as defined therein to register with and be regulated by CIMA. The investment objective of the Master Fund is to generate superior risk-adjusted rates of return through investments in the Japanese foreign currency exchange and credit markets. To achieve its investment objective, the Master Fund invests in fully paid for fixed-income and foreign exchange securities and derivative products in the Japanese capital markets within a broad global macroeconomic strategy focusing on the risks to Japanese interest rate and currency volatility contained within the market for sovereign credit.

The Master Fund receives capital contributions from Japan Macro Opportunities Partners, L.P. (the “Onshore Fund”) and Japan Macro Opportunities Offshore Partners, L.P. (the “Offshore Fund”). Hayman Capital Management, L.P. is the managing general partner for the Master Fund (the “Managing General Partner”) and is the general partner of the Onshore Fund. Hayman Offshore Management, Inc., a Cayman Islands exempted company, serves as the general partner of the Master Fund and Offshore Fund (the “General Partner”). Hayman Advisors SLP, L.P., an affiliate of the Managing General Partner, was designated by the Managing General Partner as the special limited partner (the “Special Limited Partner”) of the Master Fund. For the year ended December 31, 2013, the General Partner and the Managing General Partner had no partner capital balance in the Master Fund. The Master Fund, pursuant to an amended and restated agreement of the Limited Partnership (the “Agreement”), was formed on March 22, 2010, and began operations on July 9, 2010.

The Master Fund operates under a “master/feeder structure” whereby the Onshore Fund and the Offshore Fund invest substantially all of their investable assets in the Master Fund. As of December 31, 2013, the Onshore Fund and the Offshore Fund owned approximately 46% and 45% of the Master Fund, respectively, after the impact of the accrued performance distribution at December 31, 2013. See Note 7 Related-Party Transactions for additional details.

Equinoxe Alternative Investment Services (Bermuda) Ltd. (“Equinoxe”) performs various administrative services for the Master Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying financial statements are presented using accounting principles generally accepted in the United States of America (GAAP). Financial statements prepared on a GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Cash and Cash Equivalents — The Master Fund defines cash and cash equivalents as cash and short-term, highly liquid investments with original maturities of 90 days or less. As of December 31, 2013, $131,341,640 is invested in treasury backed money market funds offered by JP Morgan. Additional information on cash receipts and payments is presented in the statement of cash flows.

Derivative Instruments — Derivative instruments are valued at fair value in accordance with the Managing General Partner's valuation policy. Valuations are obtained from third-party pricing services which rely on observable market inputs and market information received from dealers, or brokers, when available and considered reliable.

Foreign Currency Translations — Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the period-end exchange rates. Purchases and sales of investments, and income and expenses that are denominated in foreign currencies are translated into U.S. dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are reflected in the Statement of Operations.

The Master Fund does not isolate the portion of the operating results that are due to the changes in foreign exchange rates. Such fluctuations are included in unrealized appreciation on derivative instruments in the Statement of Operations. Investments in Japanese Yen denominated securities have additional risks not present in securities denominated in U.S. dollars.

Income and Expense Recognition — Interest is recorded on the accrual basis. Operating expenses are recorded on the accrual basis as incurred. Realized gains and losses on derivative instruments and securities are recorded on an identified cost basis.

Income Taxes — The limited partners of the Master Fund are individually liable for taxes on their share of Master Fund taxable income.

The Master Fund determines whether a tax position of the Master Fund is more likely than not to be sustained upon examination by the applicable taxing authority, including the resolution of any related appeals or litigation processes, based on the technical merits of the position. The Master Fund reviews and evaluates tax positions in the jurisdictions in which the Master Fund operates and determines whether or not there are uncertain tax positions that require financial statement recognition. Based on this review, management concluded that the Master Fund's tax returns will be open for examination by major tax jurisdictions, including U.S. Federal, U.S. states, Japan and the Cayman Islands, for the amount of time specified under the applicable statutes of limitations (with limited exceptions). Accordingly, the Master Fund's 2010, 2011, and 2012 tax returns remain open for examination. The Master Fund is additionally not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months. As a result, no income tax liability or expense has been recorded in the accompanying financial statements.

The Master Fund has been registered as an exempted limited partnership pursuant to the Exempted Limited Partnership Law of the Cayman Islands. No local income, profits, or capital gains taxes are levied in the Cayman Islands at the current time. The Master Fund has also received an undertaking from the Cayman Islands' Government that, for a period of 50 years from May 11, 2010, the Master Fund will be exempt from taxation in the Cayman Islands. The only taxes payable by the Master Fund on its income are withholding taxes applicable to certain income.

Indemnities — The Managing General Partner on behalf of the Master Fund enters into certain contracts that contain a variety of indemnifications. The Master Fund's maximum exposure under these arrangements is unknown. However, the Master Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Capital Contributions, Distributions, Withdrawals, and Income/Expenses Allocations — Capital contributions received at each closing are maintained in special memorandum accounts on the books and records of the Master Fund and invested in a portfolio of investments (each, a "Tranche"). The Managing General Partner establishes a new Tranche at each closing and only those investors making capital contributions at that closing have an interest in that Tranche. The appreciation, depreciation and expenses attributable to a Tranche are allocated only to investors with an interest in that Tranche.

The Master Fund is a single legal entity, and the Tranches are not separate legal entities. Since commencement of operations, the Managing General Partner has established 24 Tranches. As of December 31, 2013, 18 Tranches are in existence. The table below summarizes investor contributions, distributions, and withdrawals for each tranche for the year ended December 31, 2013. Withdrawals of $108,356 were made to pay for feeder fund level expenses.

Tranche	Contributions	Distributions	Withdrawals
Tranche A	$ -	$ 19,959,651	$ 309,864
Tranche D	-	7,180,500	5,433
Tranche E	5,000,000	8,633,115	2,991
Tranche F	-	7,865,140	4,023
Tranche G	-	-	1,086,425
Tranche H	-	1,169,795	247,700
Tranche I	-	5,924,951	1,391,749
Tranche J	-	9,335,583	3,047
Tranche K	-	-	4,362
Tranche L	-	3,543,000	2,631
Tranche M	-	10,916,885	14,475,855
Tranche N	100,000	5,643,149	8,383,800
Tranche O	-	5,237,565	481,599
Tranche P	-	19,158,238	10,242
Tranche Q	-	4,800,445	5,592,466
Tranche R	-	-	4,537
Tranche S	-	-	4,990
Tranche T	75,000,000	30,691,445	6,384
Tranche U	-	5,824,749	3,791
Tranche V	-	7,739,610	6,911
Tranche W	20,000,000	-	2,052
Tranche X	33,320,000	-	378,371
	$ 133,420,000	$ 153,623,821	$ 32,409,223

The Master Fund may make distributions to limited partners from time to time as determined by the managing General Partner. See Note 7 for details regarding performance distributions. Capital withdrawals are permitted at the end of each quarter after a limited partner has held a Tranche interest for at least three years. Withdrawals made within the first three years will be subject to a 5% withdrawal fee. Capital withdrawal requests must be delivered prior to the end of the quarter preceding the withdrawal date. Withdrawal fees of $112,500 were recorded by the Master Fund during the year ended December 31, 2013, and are reported as a reduction in the withdrawals of the tranche and were allocated pro-rata among the remaining Limited Partners in the tranche. The General Partner does not charge a withdrawal fee for withdrawals from single Investor Tranches.

Using the net asset value from the close, subsequent to the withdrawal request, the General Partner will determine the net asset value of the Tranche and segregate the pro-rata portion of each asset in the Tranche for the benefit of the withdrawing limited partner. The General Partner will then sell the segregated assets prior to the withdrawal date and specially allocate the gains and losses attributable to the segregated assets to the withdrawing investor.

Capital withdrawals are recorded as liabilities, net of any performance distribution, when the amount requested in the withdrawal notice becomes fixed and determinable. Withdrawal notices received for which the dollar amount is not fixed remain in capital until the amount is determined.

3. FAIR VALUE MEASUREMENTS

The Master Fund uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Master Fund has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Managing General Partner. The Managing General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Managing General Partner's perceived risk of that instrument.

Investments in U.S. Government obligations are valued by a third-party pricing service using market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data and are therefore classified as Level 2.

Most derivative instruments that are not exchange-traded are considered Level 2. These over-the-counter (OTC) derivatives, including interest rate swaptions and foreign currency options, are valued by a third-party pricing service using observable inputs, such as quotations received from brokers. In instances where models are used, the value of an OTC derivative depends upon the contractual terms of, and specific risks inherent in the instrument, as well as, the availability and reliability of, observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, and correlations of such inputs.

No level 3 holdings were held at any time during the year ended December 31, 2013.

A valuation committee established by the Managing General Partner meets on a monthly basis to review and approve the valuation of the Master Fund's investments, to ensure that the valuations are in accordance with the pricing policy adopted by the Managing General Partner and the methods described above.

As of December 31, 2013, the financial instruments carried on the Statement of Assets and Liabilities by caption and by level within the valuation hierarchy are presented in the table that follows. The financial instruments are further classified by geography within the Condensed Schedule of Investments.

	Assets at Fair Value as of December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 131,341,640	$ -	$ -	$ 131,341,640
U.S. Government obligations	-	125,769,866	-	125,769,866
Interest rate swaptions	-	9,607,314	-	9,607,314
Foreign currency options	-	289,053,663	-	289,053,663
Total	$ 131,341,640	$ 424,430,843	$ -	$ 555,772,483

4. BALANCE SHEET OFFSETTING

The Master Fund adopted the provisions of Accounting Standards Update ("ASU") 2013-01, "Balance Sheet Offsetting", which is an amendment to ASU 2011-11, "Disclosures About Offsetting Assets and Liabilities", and requires the disclosure of information regarding rights of setoff and related arrangements associated with financial instruments and derivatives. The Master Fund presents derivative exposure on a gross basis on the Statement of Assets and Liabilities. Below is a table that shows the gross amounts of derivative positions recorded on the Statement of Assets and Liabilities.

Offsetting of Financial Assets and Derivative Assets

	Gross Amounts of Recognized Assets	**Gross Amounts Offset in the Statement of Assets and Liabilities**	**Net Amounts of Assets Presented in the Statement of Assets and Liabilities**	**Cash Collateral (Received) / Posted**	**Net Amount**
Derivatives Instruments	$ 298,660,977	$ -	$ 298,660,977	$ (177,910,815)	$ 120,750,162

Over the Counter derivative transactions are subject to the terms and conditions of the International Swaps and Derivatives Association ("ISDA") agreements entered into by the Master Fund and its trading counterparties. The ISDA agreements allow for the right of setoff in cases of early termination. Two of the ISDA agreement place restrictions on collateral received by the Master Fund. One of the agreements requires the Master Fund to hold the collateral in the state of New York. The amount of collateral from this counterparty held by the Master Fund at December 31, 2013 was approximately $14,080,000. Another ISDA agreement requires the Master Fund to hold collateral at The Bank of New York Mellon. The amount of collateral from this counterparty held by the Master Fund at December 31, 2013 was $31,900,815.

5. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Derivative Contracts — In the normal course of business, the Master Fund enters into derivative financial instruments ("derivatives"). The derivatives in which the Master Fund invests are primarily interest rate swaptions and foreign currency options. Derivatives serve as a component of the Master Fund's investment strategy and are utilized primarily to structure the portfolio or individual investments to economically match the investment objective of the Master Fund.

As of December 31, 2013, the derivative instruments carried on the Statement of Assets and Liabilities are presented in the table below.

Derivatives Not Accounted for as Hedging Instruments	Number of Contracts	Fair Value
Interest rate swaption contracts	93	$ 9,607,314
Foreign currency option contracts	332	289,053,663
Total derivative instruments		$ 298,660,977

The impact of these derivative instruments on the Statement of Operations is presented in the table below.

Derivatives Not Accounted for as Hedging Instruments	Net Change in Unrealized Appreciation/Depreciation on Derivative Instruments	Net Realized Gains (Losses) on Derivative Instruments
Interest rate swaption contracts	$ 5,282,983	$ (28,928,457)
Foreign currency option contracts	166,549,008	121,059,724
Total	$ 171,831,991	$ 92,131,267

For the year ended December 31, 2013, the volume of derivative transactions of the Master Fund was as follows:

	Contracts	
Derivatives Not Accounted for as Hedging Instruments	Entered Into	Sold/ Expired
Interest rate swaption contracts	44	56
Foreign currency option contracts	203	185
Total	247	241

Swaptions — The Master Fund enters into swaptions in the normal course of pursing its investment objectives. Swaptions are used to create exposure for the Master Fund based on its directional view of interest rates. Swaptions are options that grant the holder the right to enter into an underlying swap. The underlying swaps of the Master Fund's swaptions are interest rate swaps. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional principal amount. The Master Fund may elect to pay a fixed rate and receive a floating rate, or, receive a fixed rate and pay a floating rate on a notional principal amount. Swaptions are marked to market by a third -party pricing service and the change, if any, is recorded as a net change in unrealized appreciation or depreciation on derivative instruments in the Statement of Operations. When the swaption contract is terminated early, the Master Fund records a realized gain or loss. The risks of swaptions include changes in market conditions that affect the value of the contract or the cash flows and the possible inability of the counterparty to fulfill its obligations under the agreement. The Master Fund's maximum risk of loss from counterparty credit risk is the market value of the positions held by the counterparty. This risk is mitigated by having a master netting arrangement between the Master Fund and the counterparty and by the posting of collateral by the counterparty to the Master Fund to cover a portion of the Master Fund's exposure to the counterparty.

Options — The Master Fund holds foreign currency denominated interest rate swaptions and the value of these swaptions may decrease if the foreign currency depreciates in value. The Master Fund purchases options for the purpose mitigating foreign exchange risk and to enhance returns on its portfolio. Options are contracts that grant the holder, in return for payment of the purchase price (the "premium") of the option, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date, from or to the writer of the option.

The Master Fund's focus is to execute an investment strategy that is primarily concentrated in Japanese LIBOR interest rate swaptions and Japanese Yen foreign currency options, and as a result will potentially be materially impacted by changes in the movement of Japanese LIBOR interest rates and the Japanese Yen.

6. DUE FROM (TO) BROKERS

The Master Fund does not clear its own derivative transactions. It has established accounts with other financial institutions for this purpose. This can, and often does, result in concentration of credit risk with one or more of these firms. Such risk, however, is mitigated by the obligation of U.S. financial institutions to comply with rules and regulations governing broker/dealers and futures commission merchants. These rules and regulations generally require maintenance of net capital, as defined, and segregation of customers' funds and securities from holdings of the firm.

7. RELATED-PARTY TRANSACTIONS

The Master Fund pays the Managing General Partner, a management fee, as compensation for managing the business and affairs of the Master Fund, equal to 1.25% per annum of the capital account of each limited partner. Management fees are calculated and paid quarterly in advance as of the first day of each calendar quarter in accordance with the Agreement.

The Managing General Partner and the General Partner may reduce or waive the management fee for any individual investor.

The Agreement provides for a performance distribution to the Special Limited Partner at the time of withdrawals or distributions. Withdrawals or distributions attributable to a Tranche initially shall be allocated to the limited partners in that Tranche Pro Rata. Thereafter, withdrawals or distributions are to be allocated as follows:

i) First, to the limited partner until the limited partner has received an aggregate amount of withdrawals or distributions to the extent of their aggregate capital contributions to all Tranches;

ii) Second, 80% to the limited partners and 20% to the Special Limited Partner until aggregate withdrawals or distributions to the limited partner are equal to 10 times aggregate capital contributed by the limited partner to all Tranches;

iii) Thereafter, 65% to the limited partner and 35% to the Special Limited Partner.

The performance distribution is calculated at the end of each period (based on a hypothetical liquidation of the Master Fund on such dates). For the year ended December 31, 2013, total performance distributions paid to the Special Limited Partner were $3,590,906. As of December 31, 2013, the accrued performance distribution to the Special Limited Partner pursuant to the Agreement is $30,356,678. The accrued performance distribution is calculated for each limited partner taking into consideration such partner's aggregate contributions to all Tranches. The Special Limited Partner has no claim to, and does not receive any economic benefit from, any accrued performance distribution until distributions made to a limited partner exceed aggregate capital contributions to all Tranches made by such partner.

The General Partner shall be paid an annual fee of $1,000 on January 1 of each year, which shall be charged proportionally among all Tranches based on the relative net asset value of each Tranche.

During the year ended December 31, 2013, the Managing General Partner paid $14,815 to the Master Fund to reimburse the Master Fund for a trading loss incurred by the Master Fund. The amount is included in net realized gains on derivative instruments and securities on the Statement of Operations.

8. FINANCIAL HIGHLIGHTS

The following are the Master Fund's financial highlights, by Tranche, for the year ended December 31, 2013. Total returns are calculated by Tranche for the limited partner group as a whole, which may differ from returns for any individual partners due to certain limited partners being exempt from management fees.

	Total Return [1]			Ratios to Average Limited Partners' Capital [2]:			
	Before Performance Distribution	Performance Distribution	After Performance Distribution	Expenses — Excluding Performance Distribution	Performance Distribution	Expenses — Including Performance Distribution	Net Investment Loss
Tranche E	169.54%	(2.69)%	166.85%	(1.33)%	(1.32)%	(2.65)%	(1.37)%
Tranche F	161.74	-	161.74	(1.34)	-	(1.34)	(1.35)
Tranche G	86.51	-	86.51	(1.39)	-	(1.39)	(1.44)
Tranche H	106.40	-	106.40	(1.38)	-	(1.38)	(1.43)
Tranche I	130.89	2.34	133.23	(1.26)	-	(1.26)	(1.30)
Tranche J	188.44	(14.88)	173.56	(1.34)	(13.98)	(15.32)	(1.39)
Tranche K	120.55	(9.03)	111.52	(1.27)	(6.39)	(7.66)	(1.31)
Tranche L	225.48	-	225.48	(1.29)	-	(1.29)	(1.34)
Tranche N	99.48	(17.42)	82.06	(1.43)	(10.93)	(12.36)	(1.48)
Tranche O	156.09	(27.16)	128.93	(1.45)	(15.06)	(16.51)	(1.49)
Tranche P	179.45	(29.26)	150.19	(1.47)	(17.72)	(19.19)	(1.53)
Tranche Q	191.34	(23.28)	168.06	(1.45)	(12.03)	(13.48)	(1.48)
Tranche R	136.57	(18.67)	117.90	(1.43)	(12.27)	(13.70)	(1.47)
Tranche S	96.95	(11.84)	85.11	(1.44)	(8.75)	(10.19)	(1.48)
Tranche T	123.87	(24.54)	99.33	(1.49)	(11.45)	(12.94)	(1.51)
Tranche U	189.66	(36.56)	153.10	(1.44)	(20.39)	(21.83)	(1.47)
Tranche V	158.05	(23.00)	135.05	(1.55)	(19.41)	(20.96)	(1.61)
Tranche W	40.11	(7.93)	32.18	(0.64)	(3.50)	(4.14)	(0.66)
Tranche X	56.03	(11.22)	44.81	(0.66)	(4.30)	(4.96)	(0.67)

[1] Computed as the percentage change in value during the period of a theoretical limited partner investment made at the beginning of the year or when a Tranche was created, net of all fees and expenses. Total return for tranches issued or withdrawn during the year have not been annualized.

[2] Average partners' capital has been computed based on monthly valuations. Ratios for Tranches issued during the year have been annualized. Performance distribution ratios have not been annualized.

9. SUBSEQUENT EVENTS

For the purpose of issuing these financial statements, management evaluated events and transactions through and including March 26, 2014, the date these financial statements were available to be issued. Subsequent to December 31, 2013, the Master Fund issued Tranche Y, following the receipt of capital contributions of approximately $40 million and paid out distributions of approximately $90.6 million and withdrawals of $19.5 million, of which $47.3 million and $18.2 million were accrued, respectively, at year-end.

* * * * * *

Japan Macro Opportunities Offshore Partners, L.P.

(A Cayman Islands Exempted Limited Partnership)

Financial Statements as of and for the
Year Ended December 31, 2014, and
Independent Auditors' Report

Deloitte & Touche
One Capital Place
P.O. Box 1787
Grand Cayman KY1-1109
CAYMAN ISLANDS

Tel: +1 345 949 7500
Fax:+1 345 949 8238
cayman@deloitte.com
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Managing General Partner of
Japan Macro Opportunities Offshore Partners, L.P.:

We have audited the accompanying financial statements of Japan Macro Opportunities Offshore Partners, L.P. (a Cayman Islands Exempted Limited Partnership) (the "Partnership"), which comprise the statement of assets and liabilities, as of December 31, 2014, and the related statements of operations and changes in partners' capital for the year then ended (all expressed in United States dollars), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Macro Opportunities Offshore Partners, L.P. as of December 31, 2014, and the results of its operations and changes in its partners' capital, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche

March 27, 2015

Member firm of
Deloitte Touche Tohmatsu Limited

JAPAN MACRO OPPORTUNITIES OFFSHORE PARTNERS, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF ASSETS AND LIABILITIES
AS OF DECEMBER 31, 2014
(Expressed in U.S. dollars)

ASSETS	
INVESTMENT IN JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P. (the “Master Fund”) — At fair value	$ 69,518,336
CASH	1,406,590
DISTRIBUTIONS RECEIVABLE FROM MASTER FUND	7,095,108
TOTAL	$ 78,020,034
LIABILITIES AND PARTNERS’ CAPITAL	
CAPITAL DISTRIBUTIONS PAYABLE	$ 8,468,512
CAPITAL WITHDRAWALS PAYABLE	24,687
ACCRUED EXPENSES	38,300
TOTAL LIABILITIES	8,531,499
PARTNERS’ CAPITAL	69,488,535
TOTAL	$ 78,020,034

See notes to financial statements and attached financial statements of the Master Fund.

JAPAN MACRO OPPORTUNITIES OFFSHORE PARTNERS, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Expressed in U.S. dollars)

REALIZED AND UNREALIZED GAIN ON INVESTMENTS ALLOCATED FROM MASTER FUND:	
Realized gain on derivative instruments and securities	$ 90,413,688
Net change in unrealized appreciation/depreciation on derivative instruments and securities	(19,327,687)
Realized and unrealized gain on derivative instruments and securities allocated from Master Fund	71,086,001
NET INVESTMENT LOSS ALLOCATED FROM MASTER FUND:	
Interest expense	(31,644)
Management fees	(1,355,510)
Professional, administrator and other expenses	(256,552)
Net investment loss allocated from Master Fund	(1,643,706)
PARTNERSHIP EXPENSES — Other expenses	(60,963)
NET INVESTMENT LOSS	(1,704,669)
INCREASE IN PERFORMANCE DISTRIBUTION AT MASTER FUND	(16,768,057)
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS	$ 52,613,275

See notes to financial statements and attached financial statements of the Master Fund.

JAPAN MACRO OPPORTUNITIES OFFSHORE PARTNERS, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(Expressed in U.S. dollars)

	General Partner	Limited Partners	Total
PARTNERS' CAPITAL — January 1, 2014	$ -	$ 154,334,159	$ 154,334,159
DECREASE IN PARTNERS' CAPITAL RESULTING FROM CAPITAL TRANSACTIONS			
Capital contributions	-	40,950,000	40,950,000
Capital distributions	-	(177,175,768)	(177,175,768)
Capital withdrawals	-	(1,233,131)	(1,233,131)
NET DECREASE IN PARTNERS CAPITAL RESULTING FROM CAPITAL TRANSACTIONS	-	(137,458,899)	(137,458,899)
INCREASE IN PARTNERS' CAPITAL RESULTING FROM INVESTMENT OPERATIONS			
Net realized and unrealized gain on derivative instruments and securities allocated from Master Fund	-	71,086,001	71,086,001
Net investment loss allocated from Master Fund	-	(1,704,669)	(1,704,669)
Increase in performance distribution at Master Fund (see Note 4)	-	(16,768,057)	(16,768,057)
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM INVESTMENT OPERATIONS	-	52,613,275	52,613,275
PARTNERS' CAPITAL — December 31, 2014	$ -	$ 69,488,535	$ 69,488,535

See notes to financial statements and attached financial statements of the Master Fund.

1. ORGANIZATION

Japan Macro Opportunities Offshore Partners, L.P. (the “Partnership”) is a Cayman Islands exempted limited partnership organized on March 22, 2010, which began operations on July 9, 2010. The limited partnership agreement (the “Partnership Agreement”) was most recently amended and restated on April 25, 2014. The Partnership is registered under the Mutual Funds Law of the Cayman Islands. The Partnership has elected to be taxed as a corporation from a U.S. federal income tax perspective. The investment objective of the Partnership is to achieve capital appreciation through investments in public and private securities and other financial instruments. This investment strategy is executed solely through an investment in Japan Macro Opportunities Master Fund, L.P. (the “Master Fund”) (a Cayman Islands Exempted Limited Partnership). Japan Macro Opportunities Partners, L.P. a Delaware limited partnership (the “Onshore Fund”), also invests in the Master Fund. As of December 31, 2014, the Partnership owns approximately 42% of the Master Fund, after the impact of the accrued performance distribution at December 31, 2014. See Note 4 Related-Party Transactions for additional details.

Hayman Offshore Management, Inc. is the general partner (the “General Partner”) of the Partnership, and a general partner of the Master Fund. Hayman Capital Management L.P. is the managing general partner of the Master Fund (the “Managing General Partner”). Hayman Advisors SLP, L.P., an affiliate of the General Partner, was designated by the General Partner as the special limited partner (the “Special Limited Partner”) of the Master Fund. For the year ended December 31, 2014, the General Partner had no partner capital balance in the Partnership.

Equinoxe Alternative Investment Services (Bermuda) Ltd. performed various administrative services for the Partnership in 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying financial statements are presented using accounting principles generally accepted in the United States of America (GAAP). Financial statements prepared on a GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. The Partnership is an investment company and therefore complies with accounting and reporting guidance presented in *Accounting Standards Codification 946, Financial Services – Investment Companies*.

Investment in Master Fund — The Partnership’s investment in the Master Fund is valued at fair value as determined by the General Partner based on the partners’ capital balance reflected in the financial statements of the Master Fund. The performance of the Partnership is directly affected by the performance of the Master Fund. The financial statements of the Master Fund, which are an integral part of these financial statements, are attached.

Income and Expense Recognition — The Partnership's pro-rata share of income and expense and realized and unrealized gain and loss from its direct investment in the Master Fund are included in their appropriate revenue and expense categories in the Partnership's Statement of Operations. In addition, the Partnership accrues its own direct expenses.

Cash and Cash Equivalents — The Partnership defines cash and cash equivalents as cash and short-term, highly liquid investments with original maturities of 90 days or less.

Income Taxes — The Partnership is registered as an exempted limited partnership pursuant to the Exempted Limited Partnership Law of the Cayman Islands. No local income, profits, or capital gains taxes are levied in the Cayman Islands at the current time. The Partnership has also received an undertaking from the Cayman Islands' government that, for a period of 50 years from May 11, 2010, the Partnership will be exempt from taxation in the Cayman Islands. The only taxes payable by the Partnership on its income are withholding taxes applicable to certain income.

The Partnership determines whether a tax position of the Partnership is more likely than not to be sustained upon examination by the applicable taxing authority, including the resolution of any related appeals or litigation processes, based on the technical merits of the position. The Partnership reviews and evaluates tax positions in the jurisdictions in which the Partnership operates and determines whether or not there are uncertain tax positions that require financial statement recognition. Based on this review, management concluded that, the Partnership's tax returns will remain open for examination by major tax jurisdictions, including U.S. Federal, U.S. states, Japan, Cayman Islands and foreign jurisdictions where the Partnership and Master Fund make significant investments, for the amount of time specified under the applicable statutes of limitations (with limited exceptions). The Partnership's tax returns will remain open for examination by tax authorities for a period of three years from when they are filed. Accordingly, the Partnership's 2011 and subsequent tax returns remain open for examination. The Partnership is additionally not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months. As a result, no income tax liability or expense has been recorded in the accompanying financial statements.

Capital Contributions, Distributions, Withdrawals and Allocation of Partnership Profits and Losses — Capital contributions received at each closing are maintained in special memorandum accounts on the books and records of the Master Fund and invested in a portfolio of investments (each, a "Tranche"). A new Tranche is established at each closing and only those investors making capital contributions at that closing have an interest in that Tranche. The appreciation, depreciation and expenses attributable to a Tranche are allocated only to investors with an interest in that Tranche. The Partnership is a single legal entity, and the Tranches are not separate legal entities. As of December 31, 2014, the Partnership is invested in nine Tranches in the Master Fund — E, K, R, S, U, W, X, Y, and Z. The table below summarizes the contributions, distributions, and withdrawals for each Tranche outstanding at any time during the year ended December 31, 2014:

Tranche	Contributions	Distributions	Withdrawals
E	$ -	$ 6,580,348	$ -
G	-	2,326,484	1,234,350
H	-	2,218,065	-
I	-	1,167,581	-
J	-	2,145,995	-
K	-	11,664,019	-
L	-	1,959,626	-
O	-	3,845,789	-
P	-	24,666,034	-
Q	-	4,941,418	-
R	-	20,714,500	-
S	-	19,717,060	-
U	-	1,572,996	-
W	-	20,794,699	-
X	-	12,658,376	(1,219)
Y	40,000,000	38,596,000	-
Z	950,000	1,606,778	-
	$ 40,950,000	$ 177,175,768	$ 1,233,131

Capital withdrawals are permitted at the end of each quarter after a limited partner has held a tranche interest for at least three years. Withdrawals made within the first three years will be subject to a 5% withdrawal fee. Capital withdrawal requests must be delivered prior to the end of the quarter preceding the withdrawal date. Withdrawal fees of $1,219 were charged to limited partners that withdrew from the Onshore Fund during the year ended December 31, 2014. Withdrawal fees are reported as a reduction in withdrawals of Tranche X and were allocated pro-rata among the remaining Limited Partners in the tranche across the Partnership and the Onshore Fund. The General Partner does not charge a withdrawal fee when the partners in a Tranche are all affiliated.

Using the net asset value from the close, subsequent to the withdrawal request, the General Partner will determine the net asset value of the tranche and segregate the pro-rata portion of each asset in the tranche for the benefit of the withdrawing limited partner. The General Partner will then sell the segregated assets prior to the withdrawal date and specially allocate the gains and losses attributable to the segregated assets to the withdrawing investor.

Capital withdrawals are recorded as liabilities, net of any performance distribution, when the amount requested in the withdrawal notice becomes fixed and determinable. Withdrawal notices received for which the dollar amount is not fixed remain in capital until the amount is determined.

The profits and losses of each Tranche of the Partnership are allocated to each partner based upon the amount of such partner's capital balance of each Tranche as of the beginning of each month.

Indemnities — The General Partner on behalf of the Partnership enters into certain contracts that contain a variety of indemnifications. The Partnership's maximum exposure under these arrangements is unknown. However, the Partnership has not had any prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

3. FAIR VALUE MEASUREMENTS

The Partnership uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The General Partner believes the most relevant fair value disclosure relates to the Master Fund's investment portfolio and can be found in Note 3 of the Master Fund's financial statements, which are attached to these statements.

4. RELATED-PARTY TRANSACTIONS, INCLUDING MANAGEMENT AND PERFORMANCE DISTRIBUTION

Management fees and the performance distributions occur at the Master Fund level. During the year ended December 31, 2014, the Partnership was allocated management fees of $1,355,510. For the year ended December 31, 2014, the performance distribution paid to the special limited partner was $13,787,184. As of December 31, 2014, the accrued performance distribution payable to the Special Limited Partner with respect to the Partnership (based on a hypothetical liquidation of the Master Fund) is $16,758,693. The Special Limited Partner of the Master Fund has no claim to, and does not receive any economic benefit from, any accrued performance distribution until distributions made to a limited partner exceed aggregate capital contributions to all Tranches made by such partner.

As of December 31, 2014, two affiliated limited partners, unaffiliated with the General Partner, owned approximately 86% of the Partnership. Their interests represent approximately 36% of the partners' capital of the Master Fund.

The Partnership has investor concentration as discussed above and could be materially affected by their actions. Due to the nature of the master fund/feeder fund structure, the Partnership could be materially affected by contributions or withdrawals of the Master Fund's interests made by investors in the Onshore Fund.

5. FINANCIAL HIGHLIGHTS

The following are the Partnership's financial highlights, by Tranche, for the year ended December 31, 2014. Total returns are calculated by Tranche for the limited partner group as a whole, which may differ from returns for any individual partners due to certain limited partners being exempt from management fees.

	Total Return [1]			Ratios to Average Limited Partners' Capital [2,3]:			
	Before Performance Distribution	Performance Distribution	After Performance Distribution	Expenses — Excluding Performance Distribution	Performance Distribution	Expenses — Including Performance Distribution	Net Investment Loss
Tranche E	60.46%	(8.38)%	52.08%	(1.63)%	(11.27)%	(12.90)%	(1.63)%
Tranche K	40.68	5.96	46.64	(1.80)	12.94	11.14	(1.80)
Tranche R	77.05	(8.26)	68.79	(1.76)	(19.04)	(20.80)	(1.76)
Tranche S	66.12	(10.17)	55.95	(1.76)	(16.92)	(18.69)	(1.76)
Tranche U	88.99	(3.70)	85.29	(1.86)	(24.56)	(26.42)	(1.86)
Tranche W	55.22	(23.28)	31.94	(1.74)	(32.78)	(34.51)	(1.74)
Tranche X	52.18	(5.37)	46.81	(1.68)	(9.73)	(11.41)	(1.68)
Tranche Y	160.42	(30.92)	129.50	(1.56)	(35.60)	(37.16)	(1.56)
Tranche Z	318.08	(63.32)	254.76	(1.50)	(43.88)	(45.39)	(1.50)

1 Computed as the percentage change in value during the period of a theoretical limited partner investment made at the beginning of the year or when a Tranche was created, net of all fees and expenses. Total return has not been annualized for those Tranches created during the year.

2 Average partners' capital has been computed based on monthly valuations. Ratios have been annualized for those Tranches created during the year. Performance distribution ratios have not been annualized.

3 Includes the proportionate share of the Partnership's income and expenses allocated from the Master Fund.

6. SUBSEQUENT EVENTS

For the purpose of issuing these financial statements, management evaluated events and transactions through and including March 27, 2015, the date these financial statements were available to be issued. Effective January 1, 2015, SEI Global Securities, Inc. was appointed as the administrator for the Partnership and the Master Fund.

* * * * * *

Japan Macro Opportunities Master Fund, L.P.

(A Cayman Islands Exempted Limited Partnership)

Financial Statements as of and for the
Year Ended December 31, 2014, and
Independent Auditors' Report

Deloitte & Touche
One Capital Place
P.O. Box 1787
Grand Cayman KY1-1109
CAYMAN ISLANDS

Tel: +1 345 949 7500
Fax:+1 345 949 8238
cayman@deloitte.com
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Managing General Partner of
Japan Macro Opportunities Master Fund, L.P.:

We have audited the accompanying financial statements of Japan Macro Opportunities Master Fund, L.P. (a Cayman Islands Exempted Limited Partnership) (the "Master Fund"), which comprise the statement of assets and liabilities, including the condensed schedule of investments, as of December 31, 2014, and the related statements of operations and changes in partners' capital for the year then ended (all expressed in United States dollars), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Master Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Master Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Macro Opportunities Master Fund, L.P. as of December 31, 2014, and the results of its operations and changes in its partners' capital for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche

March 27, 2015

Member firm of
Deloitte Touche Tohmatsu Limited

JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF ASSETS AND LIABILITIES
AS OF DECEMBER 31, 2014
(Expressed in U.S. dollars)

ASSETS	
DERIVATIVE INSTRUMENTS — Long — At fair value (cost $66,787,250)	$ 157,746,553
SECURITIES — At fair value (cost $10,461,054)	10,461,054
CASH AND CASH EQUIVALENTS	248,848,879
TOTAL	$ 417,056,486
LIABILITIES AND PARTNERS' CAPITAL	
DERIVATIVE INSTRUMENTS — Short — At fair value (proceeds $3,777,309)	$ 14,406,851
COLLATERAL PAYABLE	76,101,054
ACCRUED EXPENSES	99,308
CAPITAL DISTRIBUTIONS PAYABLE	161,547,565
TOTAL LIABILITIES	252,154,778
PARTNERS' CAPITAL	164,901,708
TOTAL	$ 417,056,486

See notes to financial statements.

JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P.
(A Cayman Islands Exempted Limited Partnership)

CONDENSED SCHEDULE OF INVESTMENTS
AS OF DECEMBER 31, 2014
(Expressed in U.S. dollars)

	Fair Value
DERIVATIVE INSTRUMENTS — Long (95.7% of partners' capital):	
Interest rate swaptions — Japanese LIBOR (1.2% of partners' capital):	
1 year swaptions with maturities (May 2015)	$ 46,106
3 year swaptions with maturities (January 2015–May 2017)	1,930,218
Total interest rate swaptions — Japanese LIBOR (cost $20,600,690)	1,976,324
Foreign currency options — Japanese Yen (94.5% of partners' capital):	
1 year options with maturities (January 2015–May 2015)	19,198,769
2 year options with maturities (January 2016–May 2016)	56,530,280
3 year options with maturities (January 2016–May 2017)	80,041,180
Total foreign currency options — Japanese Yen (cost $46,186,560)	155,770,229
DERIVATIVE INSTRUMENTS — Long — (cost $66,787,250)	$ 157,746,553
SECURITIES — US GOVERNMENT OBLIGATIONS (6.3% of partners' capital)	
US Treasury notes 2–30 year original maturities (July 2015–May 2044)	$ 9,076,123
US Treasury inflation-indexed bonds 30 year original maturities (April 2029–February 2043)	1,384,931
SECURITIES — US GOVERNMENT OBLIGATIONS — (cost $10,461,054)	$ 10,461,054
DERIVATIVE INSTRUMENTS — Short (8.7% of partners' capital):	
Foreign currency options — Japanese Yen	
2 year options with maturities (January 2016–May 2016)	$ (9,348,297)
3 year options with maturities (January 2016–May 2017)	(5,058,554)
Total foreign currency options — Japanese Yen (proceeds $3,777,309)	(14,406,851)
DERIVATIVE INSTRUMENTS — Short — (proceeds $3,777,309)	$ (14,406,851)

See notes to financial statements.

JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Expressed in U.S. dollars)

REALIZED AND UNREALIZED GAINS/(LOSSES) ON DERIVATIVE INSTRUMENTS AND SECURITIES:	
Net realized gains/losses on derivative instruments and securities	$ 220,291,267
Net change in unrealized appreciation/depreciation on derivative instruments and securities	(26,327,786)
Net realized and unrealized gains on derivative instruments and securities	193,963,481
EXPENSES:	
Management fees	2,963,978
Interest expense	65,813
Professional, administrator and other	589,492
Total expenses	3,619,283
NET INVESTMENT LOSS	(3,619,283)
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS	$ 190,344,198

See notes to financial statements.

JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(Expressed in U.S. dollars)

	Special Limited Partner	Japan Macro Opportunities Partners, L.P.	Japan Macro Opportunities Offshore Partners, L.P.	Total
PARTNERS' CAPITAL — January 1, 2014	$ 30,356,678	$ 158,334,713	$ 154,358,735	$ 343,050,126
DECREASE IN PARTNERS' CAPITAL RESULTING FROM CAPITAL TRANSACTIONS				
Capital contributions	-	14,300,000	40,950,000	55,250,000
Capital withdrawals	-	(142,223)	(1,288,870)	(1,431,093)
Capital distributions	(40,106,737)	(205,029,018)	(177,175,768)	(422,311,523)
NET DECREASE IN PARTNERS CAPITAL RESULTING FROM CAPITAL TRANSACTIONS	(40,106,737)	(190,871,241)	(137,514,638)	(368,492,616)
INCREASE IN PARTNERS' CAPITAL RESULTING FROM INVESTMENT OPERATIONS				
Net realized gains/losses on derivative instruments and securities	-	129,877,578	90,413,689	220,291,267
Net change in unrealized appreciation/depreciation on derivative instruments and securities	-	(7,000,099)	(19,327,687)	(26,327,786)
Net investment loss	-	(1,975,577)	(1,643,706)	(3,619,283)
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM INVESTMENT OPERATIONS	-	120,901,902	69,442,296	190,344,198
Performance distribution (see Note 7)	41,865,970	(25,097,913)	(16,768,057)	-
PARTNERS' CAPITAL — December 31, 2014	$ 32,115,911	$ 63,267,461	$ 69,518,336	$ 164,901,708

See notes to financial statements.

1. ORGANIZATION

Japan Macro Opportunities Master Fund, L.P. (the "Master Fund") is a Cayman Islands exempted limited partnership organized under the laws of the Cayman Islands. In March 2012, the Master Fund registered with the Cayman Islands Monetary Authority ("CIMA") pursuant to an amendment to the Mutual Funds Law of the Cayman Islands which requires "master funds" as defined therein to register with and be regulated by CIMA. The investment objective of the Master Fund is to generate superior risk-adjusted rates of return through investments in the Japanese foreign currency exchange and credit markets. To achieve its investment objective, the Master Fund invests in fixed-income and foreign exchange securities and derivative products in the Japanese capital markets within a broad global macroeconomic strategy focusing on the risks to Japanese interest rate and currency volatility contained within the market for sovereign credit.

The Master Fund receives capital contributions from Japan Macro Opportunities Partners, L.P. (the "Onshore Fund") and Japan Macro Opportunities Offshore Partners, L.P. (the "Offshore Fund"). Hayman Capital Management, L.P. is the managing general partner for the Master Fund (the "Managing General Partner") and is the general partner of the Onshore Fund. Hayman Offshore Management, Inc., a Cayman Islands exempted company, serves as the general partner of the Master Fund and Offshore Fund (the "General Partner"). Hayman Advisors SLP, L.P., an affiliate of the Managing General Partner, was designated by the Managing General Partner as the special limited partner (the "Special Limited Partner") of the Master Fund. For the year ended December 31, 2014, the General Partner and the Managing General Partner had no partner capital balance in the Master Fund. The Master Fund, pursuant to an amended and restated agreement of the Limited Partnership (the "Agreement"), was formed on March 22, 2010, and began operations on July 9, 2010.

The Master Fund operates under a "master/feeder structure" whereby the Onshore Fund and the Offshore Fund invest substantially all of their investable assets in the Master Fund. As of December 31, 2014, the Onshore Fund, the Offshore Fund, and the Special Limited Partner owned approximately 38%, 42% and 20% of the Master Fund, respectively, after the impact of the accrued performance distribution at December 31, 2014. See Note 7 Related-Party Transactions for additional details.

Equinoxe Alternative Investment Services (Bermuda) Ltd. performed various administrative services for the Master Fund during 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying financial statements are presented using accounting principles generally accepted in the United States of America (GAAP). Financial statements prepared on a GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. The Master Fund is an investment company and therefore complies with accounting and reporting guidance presented in *Accounting Standards Codification 946, Financial Services – Investment Companies*.

Cash and Cash Equivalents — The Master Fund defines cash and cash equivalents as cash and short-term, highly liquid investments with original maturities of 90 days or less. As of December 31, 2014, $248,848,879 is invested in money market funds offered by JP Morgan.

Derivative Instruments — Derivative instruments are valued at fair value in accordance with the Managing General Partner's valuation policy. Valuations are obtained from third-party pricing services which rely on observable market inputs and market information received from dealers, or brokers, when available and considered reliable.

Foreign Currency Translations — Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the period-end exchange rates. Purchases and sales of investments, and income and expenses that are denominated in foreign currencies are translated into U.S. dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are reflected in the Statement of Operations.

The Master Fund does not isolate the portion of the operating results that are due to the changes in foreign exchange rates. Such fluctuations are included in the net realized and unrealized gain or loss on derivative instruments and securities in the Statement of Operations. Investments in Japanese Yen denominated securities have additional risks not present in securities denominated in U.S. dollars.

Income and Expense Recognition — Interest is recorded on the accrual basis. Operating expenses are recorded on the accrual basis as incurred. Realized gains and losses on derivative instruments and securities are recorded on an identified cost basis.

Income Taxes — The partners of the Master Fund are individually liable for taxes on their share of Master Fund taxable income.

The Master Fund determines whether a tax position of the Master Fund is more likely than not to be sustained upon examination by the applicable taxing authority, including the resolution of any related appeals or litigation processes, based on the technical merits of the position. The Master Fund reviews and evaluates tax positions in the jurisdictions in which the Master Fund operates and determines whether or not there are uncertain tax positions that require financial statement recognition. Based on this review, management concluded that the Master Fund's tax returns will be open for examination by major tax jurisdictions, including U.S. Federal, U.S. states, Japan and the Cayman Islands, for the amount of time specified under the applicable statutes of limitations (with limited exceptions). Accordingly, the Master Fund's 2011 and subsequent tax returns remain open for examination. The Master Fund is additionally not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months. As a result, no income tax liability or expense has been recorded in the accompanying financial statements.

The Master Fund has been registered as an exempted limited partnership pursuant to the Exempted Limited Partnership Law of the Cayman Islands. No local income, profits, or capital gains taxes are levied in the Cayman Islands at the current time. The Master Fund has also received an undertaking from the Cayman Islands' Government that, for a period of 50 years from May 11, 2010, the Master Fund will be exempt from taxation in the Cayman Islands. The only taxes payable by the Master Fund on its income are withholding taxes applicable to certain income.

Indemnities — The Managing General Partner on behalf of the Master Fund enters into certain contracts that contain a variety of indemnifications. The Master Fund's maximum exposure under these arrangements is unknown. However, the Master Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Capital Contributions, Distributions, Withdrawals, and Income/Expenses Allocations — Capital contributions received at each closing are maintained in special memorandum accounts on the books and records of the Master Fund and invested in a portfolio of investments (each, a "Tranche"). The Managing General Partner establishes a new Tranche at each closing and only those investors making capital contributions at that closing have an interest in that Tranche. The appreciation, depreciation and expenses attributable to a Tranche are allocated only to investors with an interest in that Tranche.

The Master Fund is a single legal entity, and the Tranches are not separate legal entities. Since commencement of operations, the Managing General Partner has established 26 Tranches. As of December 31, 2014, 11 Tranches are in existence. The table below summarizes investor contributions, distributions, and withdrawals for each tranche for the year ended December 31, 2014. Withdrawals of $106,802 were made to pay for feeder fund level expenses.

Tranche	Contributions	Distributions	Withdrawals
Tranche E	$ -	$ 7,390,785	$ 2,952
Tranche G	-	2,326,484	1,235,469
Tranche H	-	6,941,523	2,488
Tranche I	-	2,671,625	1,474
Tranche J	-	2,145,995	1,495
Tranche K	-	11,664,019	2,521
Tranche L	-	1,959,626	2,042
Tranche N	-	269,877	2,847
Tranche O	-	8,485,223	3,849
Tranche P	-	27,096,922	11,041
Tranche Q	-	6,176,773	3,185
Tranche R	-	23,393,125	5,456
Tranche S	-	21,811,325	4,887
Tranche T	-	106,575,860	23,522
Tranche U	-	21,120,547	3,624
Tranche V	-	36,773,547	6,486
Tranche W	-	24,518,553	6,170
Tranche X	-	43,960,973	100,923
Tranche Y	40,000,000	38,596,000	8,079
Tranche Z	15,250,000	28,432,741	2,583
	$ 55,250,000	$ 422,311,523	$ 1,431,093

The Master Fund may make distributions to limited partners from time to time as determined by the Managing General Partner. See Note 7 for details regarding performance distributions. Capital withdrawals are permitted at the end of each quarter after a limited partner has held a Tranche interest for at least three years. Withdrawals made within the first three years will be subject to a 5% withdrawal fee. Capital withdrawal requests must be delivered prior to the end of the quarter preceding the withdrawal date. Withdrawal fees of $4,025 were recorded by the Master Fund during the year ended December 31, 2014, and are reported as a reduction in the withdrawals of the tranche and were allocated pro-rata among the remaining Limited Partners in the tranche. The Managing General Partner does not charge a withdrawal fee for withdrawals from single investor Tranches.

Using the net asset value from the close, subsequent to the withdrawal request, the Managing General Partner will determine the net asset value of the Tranche and segregate the pro-rata portion of each asset in the Tranche for the benefit of the withdrawing limited partner. The Managing General Partner will then sell the segregated assets prior to the withdrawal date and specially allocate the gains and losses attributable to the segregated assets to the withdrawing investor.

Capital withdrawals are recorded as liabilities, net of any performance distribution, when the amount requested in the withdrawal notice becomes fixed and determinable. Withdrawal notices received for which the dollar amount is not fixed remain in capital until the amount is determined.

3. FAIR VALUE MEASUREMENTS

The Master Fund uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Master Fund has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Managing General Partner. The Managing General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Managing General Partner's perceived risk of that instrument.

Investments in U.S. Government obligations are valued by a third-party pricing service using market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data and are therefore classified as Level 2.

Most derivative instruments that are not exchange-traded are considered Level 2. These over-the-counter (OTC) derivatives, including interest rate swaptions and foreign currency options, are valued by a third-party pricing service using observable inputs, such as quotations received from brokers. In instances where models are used, the value of an OTC derivative depends upon the contractual terms of, and specific risks inherent in the instrument, as well as, the availability and reliability of, observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, and correlations of such inputs.

No level 3 holdings were held at any time during the year ended December 31, 2014.

A valuation committee established by the Managing General Partner meets on a monthly basis to review and approve the valuation of the Master Fund's investments, to ensure that the valuations are in accordance with the pricing policy adopted by the Managing General Partner and the methods described above.

As of December 31, 2014, the financial instruments carried on the Statement of Assets and Liabilities by caption and by level within the valuation hierarchy are presented in the table that follows. The financial instruments are further classified by geography within the Condensed Schedule of Investments.

	Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 248,848,879	$ -	$ -	$ 248,848,879
U.S. Government obligations	-	10,461,054	-	10,461,054
Interest rate swaptions	-	1,976,324	-	1,976,324
Foreign currency options	-	155,770,229	-	155,770,229
Total	$ 248,848,879	$ 168,207,607	$ -	$ 417,056,486

	Liabilities at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Foreign currency options	$ -	$ (14,406,851)	$ -	$ (14,406,851)
Total	$ -	$ (14,406,851)	$ -	$ (14,406,851)

4. BALANCE SHEET OFFSETTING

The Master Fund presents derivative exposure on a gross basis on the Statement of Assets and Liabilities. Below is a table that shows the gross amounts of derivative positions recorded on the Statement of Assets and Liabilities.

Offsetting of Financial Assets and Derivative Assets	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Assets and Liabilities	Net Amounts of Assets Presented in the Statement of Assets and Liabilities	Cash Collateral (Received) / Posted	Net Amount
Derivatives Instruments - Long Foreign currency options	$ 155,770,229	$ -	$ 155,770,229	$ (84,299,514)	$ 71,470,715
Interest rate swaptions	1,976,324	-	1,976,324	-	1,976,324
Total Derivatives Instruments - Long	$ 157,746,553	$ -	$ 157,746,553	$ (84,299,514)	$ 73,447,039

Offsetting of Financial Assets and Derivative Liabilities	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Assets and Liabilities	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Cash Collateral (Received) / Posted	Net Amount
Foreign currency options	$ -	$ (14,406,851)	$ (14,406,851)	$ 8,198,460	$ (6,208,391)

Over the Counter derivative transactions are subject to the terms and conditions of the International Swaps and Derivatives Association ("ISDA") agreements entered into by the Master Fund and its trading counterparties. The ISDA agreements allow for the right of setoff in cases of early termination. Two of the ISDA agreements place restrictions on collateral received by the Master Fund. One of the agreements requires the Master Fund to hold the collateral in the state of New York. The amount of collateral from this counterparty held by the Master Fund at December 31, 2014 was approximately $17,370,000. Another ISDA agreement requires the Master Fund to hold collateral at The Bank of New York Mellon. The amount of collateral from this counterparty held by the Master Fund at December 31, 2014 was $10,461,054.

5. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Derivative Contracts — In the normal course of business, the Master Fund enters into derivative financial instruments ("derivatives"). The derivatives in which the Master Fund invests are primarily interest rate swaptions and foreign currency options. Derivatives serve as a component of the Master Fund's investment strategy and are utilized primarily to structure the portfolio or individual investments to economically match the investment objective of the Master Fund.

As of December 31, 2014, the derivative instruments carried on the Statement of Assets and Liabilities are presented in the table below.

Derivatives Not Accounted for as Hedging Instruments	Number of Contracts	Derivative Instruments (Assets)	Derivative Instruments (Liabilities)
Interest rate swaption contracts	35	$ 1,976,324	$ -
Foreign currency option contracts	60	155,770,229	(14,406,851)
Total derivative instruments		$ 157,746,553	$ (14,406,851)

The impact of these derivative instruments on the Statement of Operations is presented in the table below.

Derivatives Not Accounted for as Hedging Instruments	Net Change in Unrealized Appreciation/(Depreciation) on Derivative Instruments	Net Realized Gains/(Losses) on Derivative Instruments
Interest rate swaption contracts	$ 17,736,704	$ (27,657,236)
Foreign currency option contracts	(44,705,736)	248,566,843
Total	$ (26,969,032)	$ 220,909,607

For the year ended December 31, 2014, the volume of derivative transactions of the Master Fund was as follows:

Derivatives Not Accounted for as Hedging Instruments	Contracts	
	Entered Into	Sold/ Expired
Interest rate swaption contracts	2	60
Foreign currency option contracts	22	294
Total	24	354

Swaptions — The Master Fund enters into swaptions in the normal course of pursing its investment objectives. Swaptions are used to create exposure for the Master Fund based on its directional view of interest rates. Swaptions are options that grant the holder the right to enter into an underlying swap. The underlying swaps of the Master Fund's swaptions are interest rate swaps. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional principal amount. The Master Fund may elect to pay a fixed rate and receive a floating rate, or, receive a fixed rate and pay a floating rate on a notional principal amount. Swaptions are marked to market by a third-party pricing service and the change, if any, is recorded as a net change in unrealized appreciation or depreciation on derivative instruments in the Statement of Operations. When the swaption contract is terminated early, the Master Fund records a realized gain or loss. The risks of swaptions include changes in market conditions that affect the value of the contract or the cash flows and the possible inability of the counterparty to fulfill its obligations under the agreement. The Master Fund's maximum risk of loss from counterparty credit risk is the market value of the positions held by the counterparty. This risk is mitigated by having a master netting arrangement between the Master Fund and the counterparty and by the posting of collateral by the counterparty to the Master Fund to cover a portion of the Master Fund's exposure to the counterparty.

Options — The Master Fund holds foreign currency denominated interest rate swaptions and the value of these swaptions may decrease if the foreign currency depreciates in value. The Master Fund purchases options for the purpose mitigating foreign exchange risk and to enhance returns on its portfolio. Options are contracts that grant the holder, in return for payment of the purchase price (the "premium") of the option, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date, from or to the writer of the option.

The Master Fund's focus is to execute an investment strategy that is primarily concentrated in Japanese LIBOR interest rate swaptions and Japanese Yen foreign currency options, and as a result will potentially be materially impacted by changes in the movement of Japanese LIBOR interest rates and the Japanese Yen.

6. DUE FROM (TO) BROKERS

The Master Fund does not clear its own derivative transactions. It has established accounts with other financial institutions for this purpose. This can, and often does, result in concentration of credit risk with one or more of these firms. Such risk, however, is mitigated by the obligation of U.S. financial institutions to comply with rules and regulations governing broker/dealers and futures commission merchants. These rules and regulations generally require maintenance of net capital, as defined, and segregation of customers' funds and securities from holdings of the firm.

7. RELATED-PARTY TRANSACTIONS

The Master Fund pays the Managing General Partner, a management fee, as compensation for managing the business and affairs of the Master Fund, equal to 1.25% per annum of the capital account of each limited partner. Management fees are calculated and paid quarterly in advance as of the first day of each calendar quarter in accordance with the Agreement.

The Managing General Partner and the General Partner may reduce or waive the management fee for any individual investor.

The Agreement provides for a performance distribution to the Special Limited Partner at the time of withdrawals or distributions. Performance distributions only occur after capital has been returned to investors. For tranches that invested prior to April 25, 2014 the performance distribution calculation is performed in respect to aggregate contributions to all Tranches. However, for contributions made after April 25, 2014 the performance distributions calculation is performed at the Tranche level and does not take into account contributions to other Tranches (if any).

Withdrawals or distributions attributable to a Tranche initially shall be allocated to the limited partners in that Tranche Pro Rata. Thereafter, withdrawals or distributions are to be allocated as follows:

i) First, to the limited partner until the limited partner has received an aggregate amount of withdrawals or distributions to the extent of their capital contributions;

ii) Second, 80% to the limited partners and 20% to the Special Limited Partner until aggregate withdrawals or distributions to the limited partner are equal to 10 times capital contributed by the limited partner;

iii) Thereafter, 65% to the limited partner and 35% to the Special Limited Partner.

For the year ended December 31, 2014, total capital distributions to the Special Limited Partner were $40,106,737, of which $25,074,725 was payable as of December 31, 2014 and is included in capital distributions payable on the Statement of Assets and Liabilities. The accrued performance distribution is presented as the capital balance of the Special Limited Partner on the statement of changes in partners' capital calculated, pursuant to the Agreement, based on a hypothetical liquidation of the Master Fund at December 31, 2014. The accrued performance distribution is calculated for each limited partner taking into consideration such partner's contributions. The Special Limited Partner has no claim to, and does not receive any economic benefit from, any accrued performance distribution until distributions made to a limited partner exceed capital contributions made by such partner.

The Managing General Partner shall be paid an annual fee of $1,000 on January 1 of each year, which shall be charged proportionally among all Tranches based on the relative net asset value of each Tranche.

8. FINANCIAL HIGHLIGHTS

The following are the Master Fund's financial highlights, by Tranche, for the year ended December 31, 2014. Total returns are calculated by Tranche for the limited partner group as a whole, which may differ from returns for any individual partners due to certain limited partners being exempt from management fees.

	Total Return [1]			Ratios to Average Limited Partners' Capital [2]:			
	Before Performance Distribution	Performance Distribution	After Performance Distribution	Expenses — Excluding Performance Distribution	Performance Distribution	Expenses — Including Performance Distribution	Net Investment Loss
Tranche E	60.59%	(8.47)%	52.12%	(1.57)%	(11.40)%	(12.97)%	(1.57)%
Tranche K	40.76	5.96	46.72	(1.75)	12.94	11.19	(1.75)
Tranche R	77.17	(8.26)	68.91	(1.71)	(19.04)	(20.74)	(1.71)
Tranche S	66.79	(10.73)	56.06	(1.72)	(16.92)	(18.64)	(1.72)
Tranche T	59.77	(6.52)	53.25	(1.63)	(14.78)	(16.42)	(1.63)
Tranche U	89.09	(2.93)	86.16	(1.79)	(24.82)	(26.60)	(1.79)
Tranche V	84.26	(2.39)	81.87	(1.84)	(23.31)	(25.15)	(1.84)
Tranche W	55.31	(23.28)	32.03	(1.67)	(32.77)	(34.44)	(1.67)
Tranche X	52.15	(4.60)	47.55	(1.61)	(8.96)	(10.57)	(1.61)
Tranche Y	160.51	(30.91)	129.60	(1.46)	(35.15)	(36.61)	(1.46)
Tranche Z	318.23	(63.34)	254.89	(1.43)	(43.89)	(45.31)	(1.43)

[1] Computed as the percentage change in value during the period of a theoretical limited partner investment made at the beginning of the year or when a Tranche was created, net of all fees and expenses. Total return for tranches issued or withdrawn during the year have not been annualized.

[2] Average partners' capital has been computed based on monthly valuations. Ratios for Tranches issued during the year have been annualized. Performance distribution ratios have not been annualized.

9. SUBSEQUENT EVENTS

For the purpose of issuing these financial statements, management evaluated events and transactions through and including March 27, 2015, the date these financial statements were available to be issued. Effective January 1, 2015, SEI Global Securities, Inc. was appointed as the Master Fund's administrator.

* * * * * *

Japan Macro Opportunities Offshore Partners, L.P.

(A Cayman Islands Exempted Limited Partnership)

Financial Statements (in liquidation) as of and for the Year Ended December 31, 2015

JAPAN MACRO OPPORTUNITIES OFFSHORE PARTNERS, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF ASSETS AND LIABILITIES (IN LIQUIDATION)
AS OF DECEMBER 31, 2015
(Expressed in U.S. dollars)

ASSETS		
CASH	$	31,928
DUE FROM MASTER FUND		11,945
TOTAL	$	43,873
LIABILITIES AND PARTNERS' CAPITAL		
ACCRUED EXPENSES	$	43,873
TOTAL LIABILITIES		43,873
PARTNERS' CAPITAL		—
TOTAL	$	43,873

See notes to financial statements and attached financial statements of the Master Fund.

JAPAN MACRO OPPORTUNITIES OFFSHORE PARTNERS, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF OPERATIONS (IN LIQUIDATION)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Expressed in U.S. dollars)

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS ALLOCATED FROM MASTER FUND:	
Realized gain on derivative instruments and securities	$ 51,807,593
Net change in unrealized appreciation/depreciation on derivative instruments and securities	(38,746,724)
Net realized and unrealized gain on derivative instruments and securities allocated from Master Fund	13,060,869
NET INVESTMENT LOSS ALLOCATED FROM MASTER FUND:	
Interest expense	(17,912)
Management fees	(559,784)
Professional, administrator and other expenses	(168,081)
Net investment loss allocated from Master Fund	(745,777)
PARTNERSHIP EXPENSES — Other expenses	(59,532)
NET INVESTMENT LOSS	(805,309)
INCREASE IN PERFORMANCE DISTRIBUTION AT MASTER FUND	(2,451,772)
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS	$ 9,803,788

See notes to financial statements and attached financial statements of the Master Fund.

JAPAN MACRO OPPORTUNITIES OFFSHORE PARTNERS, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF CHANGES IN PARTNERS' CAPITAL (IN LIQUIDATION)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Expressed in U.S. dollars)

	General Partner	Limited Partners	Total
PARTNERS' CAPITAL — January 1, 2015	$ -	$ 69,488,535	$ 69,488,535
DECREASE IN PARTNERS' CAPITAL RESULTING FROM CAPITAL TRANSACTIONS			
Capital distributions	-	(79,292,323)	(79,292,323)
DECREASE IN PARTNERS' CAPITAL RESULTING FROM CAPITAL TRANSACTIONS	-	(79,292,323)	(79,292,323)
INCREASE (DECREASE) IN PARTNERS' CAPITAL RESULTING FROM INVESTMENT OPERATIONS			
Net realized and unrealized gain on derivative instruments and securities allocated from Master Fund	-	13,060,869	13,060,869
Net investment loss	-	(805,309)	(805,309)
Increase in performance distribution at Master Fund (see Note 4)	-	(2,451,772)	(2,451,772)
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM INVESTMENT OPERATIONS	-	9,803,788	9,803,788
PARTNERS' CAPITAL — December 31, 2015	$ -	$ -	$ -

See notes to financial statements and attached financial statements of the Master Fund.

1. ORGANIZATION

Japan Macro Opportunities Offshore Partners, L.P. (the “Partnership”) is a Cayman Islands exempted limited partnership organized on March 22, 2010, which began operations on July 9, 2010. The limited partnership agreement (the “Partnership Agreement”) was most recently amended and restated on April 25, 2014. The Partnership is registered under the Mutual Funds Law of the Cayman Islands. The Partnership has elected to be taxed as a corporation from a U.S. federal income tax perspective. The investment objective of the Partnership is to achieve capital appreciation through investments in public and private securities and other financial instruments. This investment strategy is executed solely through an investment in Japan Macro Opportunities Master Fund, L.P. (the “Master Fund”) (a Cayman Islands Exempted Limited Partnership). Japan Macro Opportunities Partners, L.P. a Delaware limited partnership (the “Onshore Fund”), also invests in the Master Fund. As of December 31, 2015, the capital balance is $0 in the Master Fund.

Hayman Offshore Management, Inc. is the general partner (the “General Partner”) of the Partnership, and a general partner of the Master Fund. Hayman Capital Management L.P. is the managing general partner of the Master Fund (the “Managing General Partner”). Hayman Advisors SLP, L.P., an affiliate of the General Partner, was designated by the General Partner as the special limited partner (the “Special Limited Partner”) of the Master Fund. For year ended December 31, 2015, the General Partner had no partner capital balance in the Partnership.

As of January 1, 2015, SEI Global Securities, Inc. was appointed as the Partnership’s administrator.

2. SIGNIFICANT ACCOUNTING POLICIES

Liquidation Basis of Accounting — The Partnership changed its basis of accounting from the going concern basis to the liquidation basis effective August 31, 2015, the end of the period that trading activity ceased in the Master Fund. Subsequent to the cessation of trading activities, net available cash was distributed to limited partners in accordance with their pro-rata tranche ownership ratios. Under this basis of accounting, assets are valued at their estimated net realizable values and liabilities are valued at their estimated settlement amounts. The Master Fund and the Partnership are investment companies and therefore comply with accounting and reporting guidance presented in Accounting Standards Codification 946, Finanical Services — Investment Companies.

The accompanying financial statements are presented using accounting principles generally accepted in the United States of America (“GAAP”). Financial statements prepared on a GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. The Managing General Partner anticipates that all remaining assets will likely be liquidated within 24 months.

Income and Expense Recognition — The Partnership's pro-rata share of income and expense and realized and unrealized gain and loss from its direct investment in the Master Fund are included in their appropriate revenue and expense categories in the Partnership's Statement of Operations. In addition, the Partnership accrues its own direct expenses.

Cash and Cash Equivalents — The Partnership defines cash and cash equivalents as cash and short-term, highly liquid investments with original maturities of 90 days or less. As of December 31, 2015, $31,928 is invested in money market funds offered by JP Morgan.

Income Taxes — The Partnership is registered as an exempted limited partnership pursuant to the Exempted Limited Partnership Law of the Cayman Islands. No local income, profits, or capital gains taxes are levied in the Cayman Islands at the current time. The Partnership has also received an undertaking from the Cayman Islands' government that, for a period of 50 years from May 11, 2010, the Partnership will be exempt from taxation in the Cayman Islands. The only taxes payable by the Partnership on its income are withholding taxes applicable to certain income.

The Partnership determines whether a tax position of the Partnership is more likely than not to be sustained upon examination by the applicable taxing authority, including the resolution of any related appeals or litigation processes, based on the technical merits of the position. The Partnership reviews and evaluates tax positions in the jurisdictions in which the Partnership operates and determines whether or not there are uncertain tax positions that require financial statement recognition. Based on this review, management concluded that, the Partnership's tax returns will remain open for examination by major tax jurisdictions, including U.S. Federal, U.S. states, Japan, Cayman Islands and foreign jurisdictions where the Partnership and Master Fund make significant investments, for the amount of time specified under the applicable statutes of limitations (with limited exceptions). The Partnership's tax returns will remain open for examination by tax authorities for a period of three years from when they are filed. Accordingly, the Partnership's 2012 and subsequent tax returns remain open for examination. The Partnership is additionally not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months. As a result, no income tax liability or expense has been recorded in the accompanying financial statements.

Capital Contributions, Distributions, Withdrawals and Allocation of Partnership Profits and Losses — Capital contributions received at each closing are maintained in special memorandum accounts on the books and records of the Master Fund and invested in a portfolio of investments (each, a "Tranche"). A new Tranche is established at each closing and only those investors making capital contributions at that closing have an interest in that Tranche. The appreciation, depreciation and expenses attributable to a Tranche are allocated only to investors with an interest in that Tranche. The Partnership is a single legal entity, and the Tranches are not separate legal entities. As of December 31, 2015, all tranches have capital balances of $0. The table below summarizes the distributions for each Tranche outstanding at any time during the year ended December 31, 2015:

Tranche	Distributions
E	$ (2,324,339)
K	(749,831)
U	(61,538)
W	(9,434,950)
X	(4,999,736)
Y	(59,660,218)
Z	(2,061,711)
	$(79,292,323)

Capital withdrawals are permitted at the end of each quarter after a limited partner has held a tranche interest for at least three years. Withdrawals made within the first three years will be subject to a 5% withdrawal fee. Capital withdrawal requests must be delivered prior to the end of the quarter preceding the withdrawal date. No withdrawal fees were recored by the Partnership during the year ended December 31, 2015. The General Partner does not charge a withdrawal fee when the partners in a Tranche are all affiliated.

Using the net asset value from the close, subsequent to the withdrawal request, the General Partner will determine the net asset value of the tranche and segregate the pro-rata portion of each asset in the tranche for the benefit of the withdrawing limited partner. The General Partner will then sell the segregated assets prior to the withdrawal date and specially allocate the gains and losses attributable to the segregated assets to the withdrawing investor.

Capital withdrawals are recorded as liabilities, net of any performance distribution, when the amount requested in the withdrawal notice becomes fixed and determinable. Withdrawal notices received for which the dollar amount is not fixed remain in capital until the amount is determined.

The profits and losses of each Tranche of the Partnership are allocated to each partner based upon the amount of such partner's capital balance of each Tranche as of the beginning of each month.

Indemnities — The General Partner on behalf of the Partnership enters into certain contracts that contain a variety of indemnifications. The Partnership's maximum exposure under these arrangements is unknown. However, the Partnership has not had any prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

3. FAIR VALUE MEASUREMENTS

The Partnership uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The General Partner believes the most relevant fair value disclosure relates to the Master Fund's investment portfolio and can be found in Note 3 of the Master Fund's financial statements, which are attached to these statements.

As of December 31, 2015, there were no investments held in the Master Fund.

4. RELATED-PARTY TRANSACTIONS, INCLUDING MANAGEMENT AND PERFORMANCE DISTRIBUTION

Management fees and the performance distributions occur at the Master Fund level. During the year ended December 31, 2015, the Partnership was allocated management fees of $559,784. For the year ended December 31, 2015, the performance distribution paid to the special limited partner was $19,210,464, of which $2,451,772 relates to 2015.

5. FINANCIAL HIGHLIGHTS

The following are the Partnership's financial highlights, by Tranche, for the year ended December 31, 2015. Total returns are calculated by Tranche for the limited partner group as a whole, which may differ from returns for any individual partners due to certain limited partners being exempt from management fees.

Total returns presented below are prepared in accordance with GAAP. The results of the calculations may not be representative of the economic results achieved by individual investors as the GAAP calculations are required to be calculated in a manner which can create differences between economic returns and GAAP compliant returns during periods with limited capital.

	Total Return [1]			Ratios to Average Limited Partners' Capital [2,3]:			
	Before Performance Distribution	Performance Distribution	After Performance Distribution	Expenses — Excluding Performance Distribution	Performance Distribution	Expenses — Including Performance Distribution	Net Investment Loss
Tranche E	(65.95)%	—%	(65.95)%	1.23%	1.11%	2.34%	(1.23)%
Tranche K	(0.44)	—	(0.44)	0.42	—	0.42	(0.42)
Tranche U	(6.39)	—	(6.39)	1.15	(0.71)	0.44	(1.15)
Tranche W	(60.58)	—	(60.58)	1.25	1.02	2.27	(1.25)
Tranche X	(71.60)	(0.01)	(71.61)	1.23	0.78	2.01	(1.23)
Tranche Y	17.55	0.04	17.59	1.24	4.52	5.76	(1.24)
Tranche Z	(52.95)	0.01	(52.94)	1.33	4.33	5.66	(1.33)

1 Computed as the percentage change in value during the period of a theoretical limited partner investment made at the beginning of the year or when a Tranche was created, net of all fees and expenses.

2 Average partners' capital has been computed based on monthly valuations.

3 Includes the proportionate share of the Partnership's income and expenses allocated from the Master Fund.

6. SUBSEQUENT EVENTS

For the purpose of issuing these financial statements, management evaluated events and transactions through and including March 29, 2016, the date these financial statements were available to be issued.

******

Japan Macro Opportunities Master Fund, L.P.

(A Cayman Islands Exempted Limited Partnership)

Financial Statements (in liquidation) as of and for the
Year Ended December 31, 2015

JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF ASSETS AND LIABILITIES (IN LIQUIDATION)
AS OF DECEMBER 31, 2015
(Expressed in U.S. dollars)

ASSETS		
CASH AND CASH EQUIVALENTS	$	350,294
TOTAL	$	350,294
LIABILITIES AND PARTNERS' CAPITAL		
MANAGEMENT FEE PAYABLE	$	162,648
DUE TO FEEDER FUNDS		71,183
ACCRUED EXPENSES		116,463
TOTAL LIABILITIES		350,294
PARTNERS' CAPITAL		—
TOTAL	$	350,294

See notes to financial statements.

JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P.
(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF OPERATIONS (IN LIQUIDATION)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Expressed in U.S. dollars)

REALIZED AND UNREALIZED GAINS/(LOSSES) ON DERIVATIVE INSTRUMENTS AND SECURITIES:	
Net realized gains/losses on derivative instruments and securities	$ 102,754,165
Net change in unrealized appreciation/depreciation on derivative instruments and securities	(80,311,496)
Net realized and unrealized gains on derivative instruments and securities	22,442,669
EXPENSES:	
Management fees	(1,098,322)
Interest expense	(42,633)
Professional, administrator and other	(339,062)
Total expenses	(1,480,017)
NET INVESTMENT LOSS	(1,480,017)
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS	$ 20,962,652

See notes to financial statements.

JAPAN MACRO OPPORTUNITIES MASTER FUND, L.P.

(A Cayman Islands Exempted Limited Partnership)

STATEMENT OF CHANGES IN PARTNERS' CAPITAL (IN LIQUIDATION)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Expressed in U.S. dollars)

	Special Limited Partner	Japan Macro Opportunities Partners, L.P.	Japan Macro Opportunities Offshore Partners, L.P.	Total
PARTNERS' CAPITAL — January 1, 2015	$ 32,115,911	$ 63,267,461	$ 69,518,336	$ 164,901,708
DECREASE IN PARTNERS' CAPITAL RESULTING FROM CAPITAL TRANSACTIONS				
Capital distributions	(36,277,752)	(70,204,952)	(79,381,656)	(185,864,360)
NET DECREASE IN PARTNERS CAPITAL RESULTING FROM CAPITAL TRANSACTIONS	(36,277,752)	(70,204,952)	(79,381,656)	(185,864,360)
INCREASE (DECREASE) IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS				
Net realized gains (losses) on derivative instruments and securities	-	50,946,572	51,807,593	102,754,165
Net change in unrealized appreciation (depreciation) on derivative instruments and securities	-	(41,564,772)	(38,746,724)	(80,311,496)
Net investment loss	-	(734,240)	(745,777)	(1,480,017)
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS	-	8,647,560	12,315,092	20,962,652
Performance distribution (see Note 7)	4,161,841	(1,710,069)	(2,451,772)	-
PARTNERS' CAPITAL —December 31, 2015	$ -	$ -	$ -	$ -

See notes to financial statements.

1. ORGANIZATION

Japan Macro Opportunities Master Fund, L.P. (the "Master Fund") is a Cayman Islands exempted limited partnership organized under the laws of the Cayman Islands. In March 2012, the Master Fund registered with the Cayman Islands Monetary Authority ("CIMA") pursuant to an amendment to the Mutual Funds Law of the Cayman Islands which requires "master funds" as defined therein to register with and be regulated by CIMA. The investment objective of the Master Fund is to generate superior risk-adjusted rates of return through investments in the Japanese foreign currency exchange and credit markets. To achieve its investment objective, the Master Fund invests in fixed-income and foreign exchange securities and derivative products in the Japanese capital markets within a broad global macroeconomic strategy focusing on the risks to Japanese interest rate and currency volatility contained within the market for sovereign credit.

The Master Fund receives capital contributions from Japan Macro Opportunities Partners, L.P. (the "Onshore Fund") and Japan Macro Opportunities Offshore Partners, L.P. (the "Offshore Fund"). Hayman Capital Management, L.P. is the managing general partner for the Master Fund (the "Managing General Partner") and is the general partner of the Onshore Fund. Hayman Offshore Management, Inc., a Cayman Islands exempted company, serves as the general partner of the Master Fund and Offshore Fund (the "General Partner"). Hayman Advisors SLP, L.P., an affiliate of the Managing General Partner, was designated by the Managing General Partner as the special limited partner (the "Special Limited Partner") of the Master Fund. For the year ended December 31, 2015, the General Partner and the Managing General Partner had no partner capital balance in the Master Fund. The Master Fund, pursuant to an amended and restated agreement of the Limited Partnership (the "Agreement"), was formed on March 22, 2010, and began operations on July 9, 2010.

The Master Fund operates under a "master/feeder structure" whereby the Onshore Fund and the Offshore Fund invest substantially all of their investable assets in the Master Fund. During 2015 the Master Fund successfully harvested all open derivative positions and distributed the proceeds to limited partners. As a result, the capital balances for the Onshore Fund, Offshore Fund, and Special Limited Partner within the Master Fund were $0 as of December 31, 2015. See Note 7 Related-Party Transactions for additional details.

As of January 1, 2015, SEI Global Securities, Inc. was appointed as the Master Fund's administrator.

2. SIGNIFICANT ACCOUNTING POLICIES

Liquidation Basis of Accounting — The Master Fund changed its basis of accounting from the going concern basis to the liquidation basis effective August 31, 2015, the end of the period that trading activity ceased in the Master Fund. Subsequent to the cessation of trading activities, net available cash was distributed to limited partners in accordance with their pro-rata tranche ownership ratios. Under this basis of accounting, assets are valued at their estimated net realizable values and liabilities are valued at their estimated settlement amounts. The Master Fund is an investment company and therefore complies with accounting and reporting guidance presented in Accounting Standards Codification 946, Financial Services – Investment Companies.

The accompanying financial statements are presented using accounting principles generally accepted in the United States of America ("GAAP"). Financial statements prepared on a GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein. The General Partner anticipates that all remaining assets will likely be liquidated within 24 months.

Cash and Cash Equivalents — The Master Fund defines cash and cash equivalents as cash and short-term, highly liquid investments with original maturities of 90 days or less. As of December 31, 2015, $350,294 is invested in money market funds offered by JP Morgan. These cash equivalents are classified as Level 1 investments.

Foreign Currency Translations — Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the period-end exchange rates. Purchases and sales of investments, and income and expenses that are denominated in foreign currencies are translated into U.S. dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are reflected in the Statement of Operations.

The Master Fund does not isolate the portion of the operating results that are due to the changes in foreign exchange rates. Such fluctuations are included in the net realized and unrealized gain or loss on derivative instruments and securities in the Statement of Operations. Investments in Japanese Yen denominated securities have additional risks not present in securities denominated in U.S. dollars.

Income and Expense Recognition — Interest is recorded on the accrual basis. Operating expenses are recorded on the accrual basis as incurred. Realized gains and losses on derivative instruments and securities are recorded on an identified cost basis.

Income Taxes — The partners of the Master Fund are individually liable for taxes on their share of Master Fund taxable income.

The Master Fund determines whether a tax position of the Master Fund is more likely than not to be sustained upon examination by the applicable taxing authority, including the resolution of any related appeals or litigation processes, based on the technical merits of the position. The Master Fund reviews and evaluates tax positions in the jurisdictions in which the Master Fund operates and determines whether or not there are uncertain tax positions that require financial statement recognition. Based on this review, management concluded that the Master Fund's tax returns will be open for examination by major tax jurisdictions, including U.S. Federal, U.S. states, Japan and the Cayman Islands, for the amount of time specified under the applicable statutes of limitations (with limited exceptions). Accordingly, the Master Fund's 2012 and subsequent tax returns remain open for examination. The Master Fund is additionally not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months. As a result, no income tax liability or expense has been recorded in the accompanying financial statements.

The Master Fund has been registered as an exempted limited partnership pursuant to the Exempted Limited Partnership Law of the Cayman Islands. No local income, profits, or capital gains taxes are levied in the Cayman Islands at the current time. The Master Fund has also received an undertaking from the Cayman Islands' Government that, for a period of 50 years from May 11, 2010, the Master Fund will be exempt from taxation in the Cayman Islands. The only taxes payable by the Master Fund on its income are withholding taxes applicable to certain income.

Indemnities — The Managing General Partner on behalf of the Master Fund enters into certain contracts that contain a variety of indemnifications. The Master Fund's maximum exposure under these arrangements is unknown. However, the Master Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Capital Contributions, Distributions, Withdrawals, and Income/Expenses Allocations — Capital contributions received at each closing are maintained in special memorandum accounts on the books and records of the Master Fund and invested in a portfolio of investments (each, a "Tranche"). The Managing General Partner establishes a new Tranche at each closing and only those investors making capital contributions at that closing have an interest in that Tranche. The appreciation, depreciation and expenses attributable to a Tranche are allocated only to investors with an interest in that Tranche.

The Master Fund is a single legal entity, and the Tranches are not separate legal entities. Since commencement of operations, the Managing General Partner has established 26 Tranches. As of December 31, 2015, all tranches have capital balances of $0. There were no capital contributions in 2015. The table below summarizes investor distributions for each tranche, including capital withdrawals of $573,000 from Tranche Z, for the year ended December 31, 2015.

Tranche	Distributions
Tranche E	$ (3,264,877)
Tranche K	(751,552)
Tranche T	(31,613,417)
Tranche U	(850,959)
Tranche V	(1,536,074)
Tranche W	(11,810,066)
Tranche X	(20,579,314)
Tranche Y	(74,281,418)
Tranche Z	(41,176,683)
	$ (185,864,360)

The Master Fund may make distributions to limited partners from time to time as determined by the Managing General Partner. See Note 7 for details regarding performance distributions. Capital withdrawals are permitted at the end of each quarter after a limited partner has held a Tranche interest for at least three years. Withdrawals made within the first three years will be subject to a 5% withdrawal fee. Capital withdrawal requests must be delivered prior to the end of the quarter preceding the withdrawal date. No withdrawal fees were recorded by the Master Fund during the year ended December 31, 2015. The Managing General Partner does not charge a withdrawal fee for withdrawals from single investor Tranches.

Using the net asset value from the close, subsequent to the withdrawal request, the Managing General Partner will determine the net asset value of the Tranche and segregate the pro-rata portion of each asset in the Tranche for the benefit of the withdrawing limited partner. The Managing General Partner will then sell the segregated assets prior to the withdrawal date and specially allocate the gains and losses attributable to the segregated assets to the withdrawing investor.

Capital withdrawals are recorded as liabilities, net of any performance distribution, when the amount requested in the withdrawal notice becomes fixed and determinable. Withdrawal notices received for which the dollar amount is not fixed remain in capital until the amount is determined.

3. FAIR VALUE MEASUREMENTS

The Master Fund uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Master Fund has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Managing General Partner. The Managing General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Managing General Partner's perceived risk of that instrument.

Investments in U.S. Government obligations are valued by a third-party pricing service using market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data and are therefore classified as Level 2 when held.

Most derivative instruments that are not exchange-traded are considered Level 2. These over-the-counter (OTC) derivatives, including interest rate swaptions and foreign currency options, are valued by a third-party pricing service using observable inputs, such as quotations received from brokers when held. In instances where models are used, the value of an OTC derivative depends upon the contractual terms of, and specific risks inherent in the instrument, as well as, the availability and reliability of, observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, and correlations of such inputs.

No level 3 holdings were held at any time during the year ended December 31, 2015.

A valuation committee established by the Managing General Partner meets on a monthly basis to review and approve the valuation of the Master Fund's investments, to ensure that the valuations are in accordance with the pricing policy adopted by the Managing General Partner and the methods described above.

As of December 31, 2015, the only assets owned by the Master Fund are $350,294 of money market investments, which are disclosed on the Statement of Assets and Liabilities as Cash and Cash Equivalents and a litigation claim. The money market investments are classified as Level 1 investments. The Managing General Partner, on behalf of the Master Fund and certain other funds or accounts managed by the Managing General Partner, filed a class action complaint against forty-four defendants alleging, among other things, conspiracy to fix and restrain trade in, and intentional manipulation of, Euroyen TIBOR, Yen-LIBOR and the prices of Euroyen-based derivatives during the period of at least January 2006 through June 20, 2011. The lawsuit was filed in July 2015 and future proceeds, if any, will be allocated among investors that held limited partnership interests in the Master Fund from inception through June 20, 2011. The claim is valued at $0 as of December 31, 2015 because it was not possible to predict the outcome of the litigation.

4. BALANCE SHEET OFFSETTING

The Master Fund presents derivative exposure on a gross basis on the Statement of Assets and Liabilities. As of December 31, 2015, there were no derivatives held by the Master Fund.

Over the Counter derivative transactions are subject to the terms and conditions of the International Swaps and Derivatives Association ("ISDA") agreements entered into by the Master Fund and its trading counterparties. The ISDA agreements allow for the right of setoff in cases of early termination. Two of the ISDA agreements place restrictions on collateral received by the Master Fund. One of the agreements requires the Master Fund to hold the collateral in the state of New York. Another ISDA agreement requires the Master Fund to hold collateral at The Bank of New York Mellon. The amount of collateral from these counterparties held by the Master Fund at December 31, 2015 was $0 as there are no derivatives held.

5. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Derivative Contracts — In the normal course of business, the Master Fund enters into derivative financial instruments ("derivatives"). The derivatives in which the Master Fund invests are primarily interest rate swaptions and foreign currency options. Derivatives serve as a component of the Master Fund's investment strategy and are utilized primarily to structure the portfolio or individual investments to economically match the investment objective of the Master Fund.

The impact of these derivative instruments for the year ended December 31, 2015 on the Statement of Operations is presented in the table below.

Derivatives Not Accounted for as Hedging Instruments	Net Change in Unrealized Appreciation/(Depreciation) on Derivative Instruments	Net Realized Gains/(Losses) on Derivative Instruments
Interest rate swaption contracts	$ 18,624,366	$ (20,340,598)
Foreign currency option contracts	(98,935,862)	123,094,763
Total	$ (80,311,496)	$ 102,754,165

For the year ended December 31, 2015, the volume of derivative transactions of the Master Fund was as follows:

Derivatives Not Accounted for as Hedging Instruments	Contracts	
	Entered Into	Sold/ Expired
Interest rate swaption contracts	—	35
Foreign currency option contracts	2	62
Total	2	97

Swaptions — The Master Fund enters into swaptions in the normal course of pursing its investment objectives. Swaptions are used to create exposure for the Master Fund based on its directional view of interest rates. Swaptions are options that grant the holder the right to enter into an underlying swap. The underlying swaps of the Master Fund's swaptions are interest rate swaps. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional principal amount. The Master Fund may elect to pay a fixed rate and receive a floating rate, or, receive a fixed rate and pay a floating rate on a notional principal amount. Swaptions are marked to market by a third-party pricing service and the change, if any, is recorded as a net change in unrealized appreciation or depreciation on derivative instruments in the Statement of Operations. When the swaption contract is terminated early, the Master Fund records a realized gain or loss. The risks of swaptions include changes in market conditions that affect the value of the contract or the cash flows and the possible inability of the counterparty to fulfill its obligations under the agreement. The Master Fund's maximum risk of loss from counterparty credit risk is the market value of the positions held by the counterparty. This risk is mitigated by having a master netting arrangement between the Master Fund and the counterparty and by the posting of collateral by the counterparty to the Master Fund to cover a portion of the Master Fund's exposure to the counterparty.

Options — The Master Fund holds foreign currency denominated interest rate swaptions and the value of these swaptions may decrease if the foreign currency depreciates in value. The Master Fund purchases options for the purpose mitigating foreign exchange risk and to enhance returns on its portfolio. Options are contracts that grant the holder, in return for payment of the purchase price (the "premium") of the option, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date, from or to the writer of the option.

The Master Fund's focus is to execute an investment strategy that is primarily concentrated in Japanese LIBOR interest rate swaptions and Japanese Yen foreign currency options, and as a result will potentially be materially impacted by changes in the movement of Japanese LIBOR interest rates and the Japanese Yen.

6. DUE FROM (TO) BROKERS

The Master Fund does not clear its own derivative transactions. It has established accounts with other financial institutions for this purpose. This can, and often does, result in concentration of credit risk with one or more of these firms. Such risk, however, is mitigated by the obligation of U.S. financial institutions to comply with rules and regulations governing broker/dealers and futures commission merchants. These rules and regulations generally require maintenance of net capital, as defined, and segregation of customers' funds and securities from holdings of the firm.

7. RELATED-PARTY TRANSACTIONS

The Master Fund pays the Managing General Partner, a management fee, as compensation for managing the business and affairs of the Master Fund, equal to 1.25% per annum of the capital account of each limited partner. Management fees are calculated and paid quarterly in advance as of the first day of each calendar quarter in accordance with the Agreement.

The Managing General Partner and the General Partner may reduce or waive the management fee for any individual investor.

The Agreement provides for a performance distribution to the Special Limited Partner at the time of withdrawals or distributions. Performance distributions only occur after capital has been returned to investors. For tranches that invested prior to April 25, 2014 the performance distribution calculation is performed in respect to aggregate contributions to all Tranches. However, for contributions made after April 25, 2014 the performance distributions calculation is performed at the Tranche level and does not take into account contributions to other Tranches (if any).

Withdrawals or distributions attributable to a Tranche initially shall be allocated to the limited partners in that Tranche Pro Rata. Thereafter, withdrawals or distributions are to be allocated as follows:

i) First, to the limited partner until the limited partner has received an aggregate amount of withdrawals or distributions to the extent of their capital contributions;

ii) Second, 80% to the limited partners and 20% to the Special Limited Partner until aggregate withdrawals or distributions to the limited partner are equal to 10 times capital contributed by the limited partner;

iii) Thereafter, 65% to the limited partner and 35% to the Special Limited Partner.

For the year ended December 31, 2015, total capital distributions to the Special Limited Partner were $36,277,752.

The Managing General Partner shall be paid an annual fee of $1,000 on January 1 of each year, which shall be charged proportionally among all Tranches based on the relative net asset value of each Tranche.

8. FINANCIAL HIGHLIGHTS

The following are the Master Fund's financial highlights, by Tranche, for the year ended December 31, 2015. Total returns are calculated by Tranche for the limited partner group as a whole, which may differ from returns for any individual partners due to certain limited partners being exempt from management fees.

Total returns presented below are prepared in accordance with GAAP. The results of the calculations may not be representative of the economic results achieved by individual investors as the GAAP calculations are required to be calculated in a manner which can create differences between economic returns and GAAP compliant returns during periods with limited capital.

	Total Return [1]			Ratios to Average Limited Partners' Capital [2]:			
	Before Performance Distribution	Performance Distribution	After Performance Distribution	Expenses — Excluding Performance Distribution	Performance Distribution	Expenses — Including Performance Distribution	Net Investment Loss
Tranche E	(66.11)%	—%	(66.11)%	1.23%	1.11%	2.34%	(1.23)%
Tranche K	(0.44)	—	(0.44)	0.42	—	0.42	(0.42)
Tranche T	(29.13)	—	(29.13)	1.21	2.05	3.26	(1.21)
Tranche U	(6.74)	—	(6.74)	1.16	(0.71)	0.45	(1.16)
Tranche V	(6.97)	—	(6.97)	1.16	(0.74)	0.42	(1.16)
Tranche W	(60.58)	—	(60.58)	1.25	1.02	2.27	(1.25)
Tranche X	(72.42)	(0.02)	(72.44)	1.23	0.73	1.96	(1.23)
Tranche Y	17.55	0.04	17.59	1.16	4.52	5.68	(1.16)
Tranche Z	(52.67)	0.03	(52.64)	1.23	4.25	5.48	(1.23)

[1] Computed as the percentage change in value during the period of a theoretical limited partner investment made at the beginning of the year or when a Tranche was created, net of all fees and expenses. Total return for tranches issued or withdrawn during the year have not been annualized.

[2] Average partners' capital has been computed based on monthly valuations. Performance distribution ratios have not been annualized.

9. SUBSEQUENT EVENTS

For the purpose of issuing these financial statements, management evaluated events and transactions through and including March 29, 2016, the date these financial statements were available to be issued.

******

Exhibit 4.37

SOCIAL FINANCE, INC.

CONVERTIBLE NOTE AND
SERIES F PREFERRED STOCK PURCHASE AGREEMENT

July 28, 2015

\

SOCIAL FINANCE, INC.

CONVERTIBLE NOTE AND
SERIES F PREFERRED STOCK PURCHASE AGREEMENT

This Convertible Note and Series F Preferred Stock Purchase Agreement (this "Agreement") is made as of July 28, 2015, by and among Social Finance, Inc., a Delaware corporation (the "Company"), SoftBank Group International Limited, a company formed under the laws of the United Kingdom ("SoftBank"), and certain existing holders of Preferred Stock of the Company listed on Exhibit A attached hereto (each a "Purchaser" and together, along with SoftBank, the "Purchasers").

The parties hereby agree as follows:

1. **Purchase and Sale of Convertible Note and Preferred Stock**.

1.1 **Issuance of the Convertible Note**. Subject to the terms and conditions of this Agreement, at the Note Closing (as defined below), the Company shall issue and sell to SoftBank a subordinated convertible promissory note (a "Note") in the principal amount (the "Principal Amount") equal to Three Hundred Million Dollars ($300,000,000), against payment by SoftBank to the Company of the Principal Amount. The Note shall be in the form of Exhibit H attached hereto. The purchase price of the Note shall be equal to 100% of the principal amount of the Note.

1.2 **Sale and Issuance of Series F Preferred Stock**.

(a) The Company has obtained all necessary corporate approvals in order to adopt and file with the Secretary of State of the State of Delaware on or before the date of the Initial Closing the Ninth Amended and Restated Certificate of Incorporation attached hereto as Exhibit B (the "Restated Certificate").

(b) Subject to the terms and conditions of this Agreement, each Purchaser, severally and not jointly, agrees to purchase at the Closing set forth on Exhibit A attached hereto and the Company agrees to sell and issue to each Purchaser at such Closing that number of shares of Series F Preferred Stock set forth opposite each such Purchaser's name on Exhibit A at a purchase price of $15.7763 per share. The shares of Series F Preferred Stock shall be hereinafter referred to as the "Stock." The Stock and the Common Stock issuable upon conversion of the Stock shall be hereinafter referred to as the "Securities."

(c) As promptly as reasonably practicable following the satisfaction or waiver of the conditions set forth in Section 5.2, but subject to Section 4.5, SoftBank and certain existing holders of Preferred Stock of the Company (together with SoftBank, the "Specified Preferred Holders") will commence a tender offer (the "Tender Offer") to purchase up to $100,000,000 (the "Maximum Tender Amount") worth of outstanding capital stock of the Company (including vested options that are exercised concurrent with the closing of the Tender Offer and the Initial Closing) (the "Tender Stock") from existing holders of such stock at a price per share equal to the difference of $15.7763 less $0.50.

1.3 **Closing; Delivery**.

(a) The closing of the purchase and sale of the Note hereunder shall take place at the offices of Orrick, Herrington & Sutcliffe LLP, 1000 Marsh Road, Menlo Park, California at 10:00 a.m., on the date all of the conditions precedent set forth in Sections 5.1 and 6.1 have been satisfied (or waived in writing by the Company or SoftBank, as applicable), which date shall be concurrent with the date of this Agreement, or at such other time and place as the Company and SoftBank mutually agree upon, orally or in writing (which time and place are designated as the "Note Closing").

(b) At the Note Closing, (i) SoftBank shall deliver to the Company a check or wire transfer of immediately available funds in the amount of the Principal Amount, and (ii) the Company shall execute and deliver to SoftBank a Note reflecting the name of SoftBank, a principal amount equal to the Principal Amount and the date of the Note Closing. The Note shall be a binding obligation of the Company upon execution thereof by the Company and delivery thereof to SoftBank.

(c) The initial purchase and sale of the Stock shall take place at the offices of Orrick, Herrington & Sutcliffe LLP, 1000 Marsh Road, Menlo Park, California at 10:00 a.m., on the date all of the conditions precedent set forth in Sections 5.2 and 6.2 have been satisfied (or waived in writing by the Company or the Purchasers, as applicable) or at such other time and place as the Company and the Purchasers mutually agree upon, orally or in writing (which time and place are designated as the "Initial Closing"), upon the physical or electronic exchange among the parties and their counsel of all documents and deliverables required under this Agreement.

(d) The Company shall be entitled to conduct additional closings (each an "Additional Closing") under this Agreement for a period of 10 business days following the Initial Closing (the "Additional Closing Period") by receiving from Committed Purchasers such funds adjacent to such Purchaser's name on Exhibit A (as updated at the time of the Initial Closing). "Committed Purchaser" means any Purchaser who shall have become party to this Agreement and the Transaction Agreements (other than the Note) on or prior to the Initial Closing, but who has not remitted funds to the Company relating to such purchase hereunder on or prior to the Initial Closing. In the event that the Company sells more than 53,878,285 shares of Series F Preferred Stock at the Initial Closing (including pursuant to the conversion of the Note) together with any Additional Closing (such excess amount, the "Excess Amount"), then following the end of the Additional Closing Period, the Company shall offer for sale and issuance to SoftBank in an additional closing (a "True-Up Closing") for a period of 10 business days after the Additional Closing Period such number of shares of Series F Preferred Stock (a "True-Up Amount") equal to 20% of the Series F Preferred issued by the Company at all closings after the Initial Closing (inclusive of all Additional Closings and the True-Up Closing); provided that the Company shall not issue greater than 63,386,220 shares of Series F Preferred Stock.

(e) If fewer than 53,878,285 shares of Series F Preferred Stock are sold pursuant to Sections 1.3(c) and 1.3(d) (including pursuant to conversion of the Note), and SoftBank has not purchased Series F Preferred Stock representing at least 24.99% of the outstanding voting equity securities, SoftBank shall have the right any time within 10 business days of the end of the Additional Closing Period, to purchase any such remaining shares of Series F Preferred Stock at the price and on the terms set forth herein; provided that SoftBank shall not be permitted to purchase shares of Series F Preferred Stock if (i) such shares would result in SoftBank owning more than 24.99% of the outstanding voting equity securities or (ii) the Note has not previously converted into shares of Series F Preferred Stock (the "Additional SoftBank Closing").

(f) If fewer than 53,878,285 shares of Series F Preferred Stock are sold at the Initial Closing, the Additional Closings, and the Additional SoftBank Closing and pursuant to the conversion of the Note, the Company shall have the right, any time within 120 days of the Additional SoftBank Closing, to sell such remaining shares of Series F Preferred Stock up to a total of, including such shares previously issued, 53,878,285 to one or more additional purchasers as determined by the Company so long as such purchaser is an existing holder of Preferred Stock of the Company as of the date of the Initial Closing, or to any Purchaser hereunder who wishes to acquire additional shares of Series F Preferred Stock at the price and on the terms set forth herein, at a subsequent closing, (a "Subsequent Closing" and each of the Initial Closing, the Additional Closings, the Additional SoftBank Closing, or a Subsequent Closing, a "Closing"), provided that any such additional purchaser shall (i) become a party to this Agreement and the related Transaction Agreements (as defined in Section 1.4 below, but excluding the Note), and (ii) have the rights and obligations hereunder and thereunder, by executing and delivering to the Company an additional counterpart signature page to each of the Transaction Agreements (other than the Note). Any additional purchaser so acquiring shares of Series F Preferred Stock shall be considered a "Purchaser" for purposes of this Agreement, and any Series F Preferred Stock so acquired by such additional purchaser shall be considered "Stock" for purposes of this Agreement and all other agreements contemplated hereby.

(g) At each Closing, the Company shall deliver to each Purchaser a certificate representing the Stock being purchased thereby issued in the name of such Purchaser (or its nominee in accordance with its delivery instructions) against payment of the purchase price therefor by check payable to the Company, by wire transfer to a bank account designated by the Company, or by cancellation of indebtedness.

(h) In the event that the Note converts into shares of Series F Preferred Stock in connection with the Initial Closing, Exhibit A-1 shall be updated to reflect the aggregate principal and interest so converted and SoftBank hereby acknowledges and agrees that without any further action required by the Company or SoftBank that at the time of the Initial Closing

(i) all outstanding principal and such accrued but unpaid interest under the Note set forth on Exhibit A-1 will convert into the number of shares of Series F Preferred Stock set forth on Exhibit A-1 (as updated based on the terms of conversion set forth in the Note), (ii) upon such conversion, the Company will be forever released from all of its obligations and liabilities under the Note, and (iii) the Note and all rights, liabilities, and obligations associated therewith will be extinguished and cancelled upon such conversion.

1.4 **Defined Terms Used in this Agreement**. In addition to the terms defined above, the following terms used in this Agreement shall be construed to have the meanings set forth or referenced below.

"Affiliates" means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including, without limitation, any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

"Applicable Laws" means all foreign, federal, state, local or municipal laws, statutes, codes, guidelines, interpretations, issuances, policy statements, guidance, of any legislature, regulator, registry, body, board, bureau, agency or instrumentality, whether governmental or quasi-governmental, to which the Company or any Subsidiary or any officer, employee, agent or representative of the Company or any Subsidiary is bound or otherwise subject, including, without limitation, state lending licensing and usury laws and "Federal Consumer Financial Laws" as defined in Title X section 1002(14) of the Dodd-Frank Wall Street Reform and Consumer Protection Act [Public Law No. 111-203].

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Code" means the Internal Revenue Code of 1986, as amended.

"Founders" means Michael S. Cagney, Daniel J. Macklin, and James R. Finnigan.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all indebtedness of others secured by any mortgage, encumbrance, lien, pledge, charge or security interests of any kind on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (d) all guarantees by such Person of Indebtedness of others, (e) all Capital Lease Obligations of such Person, and (f) all obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured.

"Intangible Assets" means the excess of the cost over book value of assets acquired, patents, trademarks, trade names, copyrights, franchises and other intangible assets.

"Investors' Rights Agreement" means the agreement among the Company, the Founders, and the Purchasers, dated as of the date of the Initial Closing, in the form of Exhibit C attached hereto.

"Leverage Ratio" means, with respect to any Person, as of the end of such Person's fiscal quarter, a fraction, the numerator of which is the total Indebtedness of such Person on such date and the denominator of which is the Tangible Net Worth of such Person on such date.

"Material Adverse Effect" means a material adverse effect on the business, assets (including intangible assets), liabilities, condition (financial or otherwise) property, prospects, or results of operation of the Company (including its Subsidiaries taken as a whole on a consolidated basis).

"Person" means any individual, corporation, partnership, trust, limited liability company, association or other entity.

"Purchaser" means each of the Purchasers who are initially party to this Agreement as well as any additional Purchaser who becomes party to this Agreement.

"Right of First Refusal and Co-Sale Agreement" means the agreement among the Company, the Founders, and the Purchasers, dated as of the date of the Initial Closing, in the form of Exhibit D attached hereto.

"Securities Act" means the Securities Act of 1933, as amended.

"Securitization Document" means any agreement for the sale of Underlying Loans in connection with any direct or indirect offering of certificates or other securities backed in whole or in part by Underlying Loans and any guarantee, indemnity agreement, repurchase agreement, trust agreement or similar agreement related thereto.

"Subsidiary" means any Person (a) whose securities or other ownership interests, which by their terms have the power to elect a majority of the board of directors or other Persons performing similar functions, are owned or controlled, directly or indirectly, by the Company, or (b) whose business and policies the Company, directly or indirectly, has the power to direct.

"Tangible Net Worth" means with respect to any Person as of any date of determination, (a) all amounts which would be included under equity on the balance sheet of such Person on such date, determined in accordance with GAAP, less (b)(i) amounts owing to such Person from Affiliates and (ii) Intangible Assets.

"Transaction Agreements" means this Agreement, the Investors' Rights Agreement, the Right of First Refusal and Co-Sale Agreement, the Voting Agreement, and the Note.

"Underlying Loan" means any loan originated by the Company.

"Voting Agreement" means the agreement among the Company, the Founders, and the Purchasers, dated as of the date of the Initial Closing, in the form of Exhibit E attached hereto (provided that the parties acknowledge and agree that they shall negotiate in good faith to finalize the form of Voting Agreement prior to the Initial Closing; all representations and warranties herein relating to the Voting Agreement are subject to such Voting Agreement being finalized prior to the Initial Closing).

"Warehouse Agent" means each administrative agent, collateral agent, trustee, servicer or similar party any Warehouse Facility.

"Warehouse Facilities" means each credit facility listed in Section 2.11(c)(3) of the Company's Schedule of Exceptions.

"Warehouse Lender" means each lender under a Warehouse Facility.

2. **Representations and Warranties of the Company**. The Company hereby represents and warrants to each Purchaser that, except as set forth on a schedule of exceptions delivered separately by the Company to each Purchaser (the "Schedule of Exceptions"), which exceptions shall be deemed to be representations and warranties as if made hereunder, the following representations are true and complete as of the date hereof, the Note Closing, and the Initial Closing, except as otherwise indicated. For the purposes of the representations and warranties in this Section 2, except for the representations and warranties contained in Sections 2.1 through 2.7, or unless otherwise noted herein, the term "the Company" shall include its Subsidiaries listed on Section 2.3(1)(a)-(e) of the Schedule of Exceptions.

2.1 **Organization, Good Standing and Qualification**. The Company and each Subsidiary is a corporation (in the case of the Company and SoFi Lending Corp.) or limited liability company (in the case of each other Subsidiary) duly organized, validly existing and in good standing under the laws of the state of their incorporation or formation (as applicable) and have all requisite corporate power and authority to carry on their applicable businesses as presently conducted or proposed to be conducted. The Company and each such Subsidiary is duly qualified to transact business and is in good standing in each jurisdiction in which the failure so to qualify would have a Material Adverse Effect.

2.2 **Capitalization**.

(a) The authorized capital stock of the Company consists, or will consist, immediately prior to the Note Closing and the Initial Closing, of:

(i) 171,080,555 shares of Preferred Stock, of which 19,687,500 shares have been designated Series A Preferred Stock, 19,687,500 of which are issued and outstanding prior to the Initial Closing, 37,252,051 shares have been designated Series B Preferred Stock, 37,252,051 of which are issued and outstanding prior to the Initial Closing, 2,209,991 shares have been designated Series C Preferred Stock, 2,038,643 of which are issued and outstanding prior to the Initial Closing, 23,411,503 shares have been designated Series D Preferred Stock, 23,411,503 of which are issued and outstanding prior to the Initial Closing, 650,000 shares have been designated Series R Preferred Stock, 620,880 of which are issued and outstanding prior to the Initial Closing, 24,483,290 shares have been designated Series E Preferred Stock, 24,483,290 of which are issued and outstanding prior to the Initial Closing, and 63,386,220 shares have been designated Series F Preferred Stock, none of which are issued and outstanding prior to the Initial Closing;

(ii) 232,000,000 shares of Common Stock, 20,347,593 shares of which are issued and outstanding immediately prior to the Initial Closing; and

(iii) 17,000,000 shares of Non-Voting Common Stock, 5,238 shares of which are issued and outstanding immediately prior to the Initial Closing.

(b) The rights, preferences and privileges of the Preferred Stock are as stated in the Restated Certificate. All of the outstanding shares of Preferred Stock and Common Stock have been duly authorized, are fully paid and nonassessable and were issued in compliance with all applicable federal and state securities laws.

(c) The Company has reserved 21,083,430 shares of Common Stock for issuance to officers, directors, employees and consultants of the Company pursuant to its 2011 Stock Plan duly adopted by the Board of Directors and approved by the Company's holders of outstanding voting stock (the "Stock Plan"). Of such reserved shares of Common Stock, 7,168,745 shares have been issued pursuant to restricted stock purchase agreements or the exercise of Stock Options, options to purchase 10,521,238 shares of Common Stock have been granted and are outstanding, and 3,393,447 shares of Common Stock remain available for issuance to officers, directors, employees and consultants pursuant to the Stock Plan. All Stock Options have been appropriately authorized by the board of directors of the Company or an appropriate committee thereof, and, if required, approved by stockholders by the necessary number of votes or written consent, including approval of the option exercise price or the methodology for determining the Stock Option exercise price and the substantive option terms. Each Stock Option intended to qualify as an "incentive stock option" under Section 422 of the Code so qualifies, to the maximum extent permitted by applicable Law. No Stock Option has been retroactively granted, or the exercise price of any Stock Option determined retroactively. No Stock Option or other right to acquire Common Stock of the Company or other equity of any Person employed by the Company (A) has an exercise price that is or could be less than the fair market value of a share of the underlying stock as of the date such Stock Option or right was granted as determined in accordance with Section 409A of the Code, (B) had or has any feature providing for the deferral of compensation other than the deferral of recognition of income until the later of (x) exercise or disposition of such Stock Option or right or (y) the time the stock acquired pursuant to the exercise of the Stock Option or right first becomes substantially vested, or (C) has been granted with respect to any class of stock of any Person employed by the Company that is not "service recipient stock" (within the meaning of Section 409A of the Code), in the case of (A) in this sentence, that would result in a Material Adverse Effect on the Company.

(d) Except for the conversion privileges of the Preferred Stock and the outstanding options issued pursuant to the Stock Plan, and except as set forth in the Investors' Rights Agreement (as defined below), there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal or similar rights) or agreements, orally or in writing, for the purchase or acquisition from the Company of any shares of its capital stock.

(e) As of immediately prior to the Note Closing, the aggregate amount of accrued but unpaid dividends applicable to the outstanding shares of Series R Preferred Stock is equal to $56,051.67.

(f) As of immediately prior to the Note Closing, the aggregate liquidation preference applicable to the Series C Preferred Stock is equal to $4,837,079.31.

2.3 **Subsidiaries**. The Company does not currently own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, limited liability company, association or other business entity. The Company is not a participant in any joint venture, partnership or similar arrangement. All Subsidiaries of the Company are either directly or indirectly wholly owned by the Company. Section 2.3 of the Schedule of Exceptions sets forth a complete and accurate list of the Subsidiaries and any other Affiliates of the Company.

2.4 **Authorization**. All corporate action on the part of the Company, its officers, directors and holders of capital stock necessary for the authorization, execution and delivery of the Restated Certificate and the Transaction Agreements, the performance of all obligations of the Company thereunder and the authorization, issuance (or reservation for issuance) and delivery of the Securities has been taken or will be taken prior to the Note Closing, and the Restated Certificate and the Transaction Agreements, when filed or executed and delivered by the Company, as applicable, shall constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their respective terms except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general application relating to or affecting the enforcement of creditors' rights generally, (b) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, or (c) to the extent the indemnification provisions contained in the Investors' Rights Agreement may be limited by applicable federal or state securities laws (the "Enforceability Exceptions").

2.5 **Valid Issuance of Securities**. The Stock sold and delivered in accordance with the terms hereof for the consideration expressed herein, will be duly and validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under the Restated Certificate or any of the Transaction Agreements, applicable state and federal securities laws and liens or encumbrances created by or imposed by a Purchaser. Based in part upon the representations of the Purchasers in Section 3 of this Agreement and subject to the provisions of Section 2.6 below, the Stock will be issued in compliance with all applicable federal and state securities laws. Based in part upon the representations of the Purchasers in Section 3 of this Agreement and subject to the provisions of Section 2.6 below, the Common Stock issuable upon conversion of the Stock will be issued in compliance with all applicable federal and state securities laws and will be duly and validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under the Restated Certificate or any of the Transaction Agreements, applicable state and federal securities laws and liens or encumbrances created by or imposed by a Purchaser.

2.6 **Governmental Consents and Filings**. Assuming the accuracy of the representations made by the Purchasers in Section 3 of this Agreement and except as provided in Section 5.2, no consent, approval, notice, order or authorization of, or registration, qualification, designation, declaration or filing with, any Governmental Authority or any other federal state, local or foreign governmental authority is required on the part of the Company or any of its Subsidiaries or any office, employee, agent, or representative of the Company in connection with the consummation of the transactions contemplated by this Agreement or the Transaction Agreements, except for filings pursuant to applicable state securities laws and Regulation D of the Securities Act.

2.7 **Disqualification**. The Company is not disqualified from relying on Rule 506 of Regulation D ("Rule 506") under the Securities Act for any of the reasons stated in Rule 506(d) in connection with the issuance and sale of the Stock to the Purchasers. The Company has furnished to each Purchaser, a reasonable time prior to the date hereof, a description in writing of any matters that would have triggered disqualification under Rule 506(d) but which occurred before September 23, 2013, in each case, in compliance with the disclosure requirements of Rule 506(e).

2.8 **Litigation**. There is no claim, action, suit, proceeding, arbitration, examination, information request, complaint, charge or investigation pending or, to the Company's knowledge, currently threatened (a) against the Company that questions the validity of the Restated Certificate or the Transaction Agreements, or the right of the Company to enter into them, or to consummate the transactions contemplated thereby or (b) against the Company, its activities or properties that (i) involves claims for damages that are or could aggregate to an amount in excess of $150,000, (ii) seeks to enjoin or restrict the business of Company or material aspects of it, (iii) involves the capital stock of the Company, (iii) asserts the violation, infringement or misappropriation of intellectual property, (iv) relates to the prior employment of any employees or consultants of the Company or their alleged use of any confidential or proprietary information, technology or intellectual property, or (v) without limiting the generality of the foregoing, could subject to the Company or any of its officers, directors or employees, directly or indirectly, to any action, fine, penalty, finding, suspension, revocation, directive or settlement involving any Governmental Authority in any way related to the Company's business, operations, undertakings or agreements. Neither the Company nor, to the Company's knowledge, any of its officers, directors, or employees is a party or is named as subject to the provisions of any order, writ, injunction, suspension, revocation, judgment or decree of any court or Government Authority in any way related to the Company's business, operations, undertakings or agreements. There is no action, suit, proceeding, material dispute or investigation by the Company which the Company intends to initiate.

2.9 **Intellectual Property**.

(a) To its knowledge, the Company owns or possesses sufficient legal rights to all patents, trademarks, service marks, tradenames, copyrights, trade secrets, licenses, information and proprietary rights and processes necessary for its business without any conflict with, or infringement of, the rights of others. There are no outstanding options, licenses, or agreements of any kind relating to the foregoing, nor is the Company bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, proprietary rights and processes of any other person or entity. The Company has not received any communications alleging that the Company has violated or, by conducting its business, would violate any of the patents, trademarks, service marks, tradenames, copyrights, trade secrets or other proprietary rights or processes of any other person or entity. The Company is not aware that any of its employees is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of such employee's best efforts to promote the interest of the Company or that would conflict with the Company's business. Neither the execution or delivery of this Agreement, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business as proposed, will, to the Company's knowledge, conflict with or result in a breach of the terms, conditions, or provisions of, or constitute a default under, any contract, covenant or instrument under which any such employee is now obligated. The Company does not believe it is or will be necessary to use any inventions of any of its employees (or persons it currently intends to hire) made prior to their employment by the Company.

(b) The Company has taken all reasonable measures to maintain the confidentiality and value of all confidential information, including confidential information of third parties in the Company's possession or control, used or held for use in connection with the operation of the Company's business as now conducted or presently proposed to be conducted. No material confidential information, trade secrets or other proprietary information of the Company have been disclosed by the Company to any third party except pursuant to a valid and appropriate non-disclosure and/or license agreement (containing appropriate confidentiality obligations) that to the Company's knowledge has not been breached.

(c) The computer systems, servers, network equipment and other computer hardware ("IT Systems") used or planned to be used by the Company, are adequate and sufficient for the operation of the business of the Company. The Company has taken reasonable measures to preserve and maintain the performance, security and integrity of the IT Systems and all software, information or data stored on any IT Systems. During the two (2) year period prior to the date of this Agreement, to the Company's knowledge there has been no unauthorized access to or use of any IT Systems (or any software, information or data stored on any IT Systems). With respect to any protected financial information or personal data stored on any IT Systems that is subject to applicable law, the Company has complied in all material respects with applicable law relating to the protection, security, and confidentiality of such information or data.

2.10 **Compliance with Other Instruments**. The Company is not in violation or default (i) of any provisions of the Restated Certificate or Bylaws, or (ii) of any judgment, order, writ, or decree to which it is subject, or (iii) in any material respect under any note, indenture, mortgage, lease, agreement, contract or purchase order to which it is a party or by which it is bound or (iv) in any material respect of any provision of federal or state statute, rule or regulation applicable to the Company. The execution, delivery and performance of the Transaction Agreements and the consummation of the transactions contemplated hereby or thereby will not result in any such violation or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any such provision, instrument, judgment, order, writ, decree or contract or an event which results in the creation of any lien, charge or encumbrance upon any assets of the Company.

2.11 **Agreements; Actions**.

(a) Other than (i) standard employee benefits generally made available to all employees, (ii) standard director and officer indemnification agreements approved by the Board of Directors, and (iii) the purchase of shares of the Company's capital stock and the issuance of options to purchase shares of the Company's Common Stock, in each instance, approved by the Board of Directors, there are no agreements, understandings or proposed transactions between the Company and any of its officers, directors, affiliates, or any affiliate thereof.

(b) Except for the Transaction Agreements, there are no agreements, understandings, instruments, contracts or proposed transactions to which the Company is a party or by which it is bound that involve (i) obligations (contingent or otherwise) of, or payments to, the Company in excess of $200,000, (ii) the license of any patent, copyright, trade secret or other proprietary right to or from the Company (other than licenses for off-the-shelf software), or (iii) the grant of rights to manufacture, produce, assemble, license, market, or sell its products to any other person or affect the Company's exclusive right to develop, manufacture, assemble, distribute, market or sell its products.

(c) Except with respect to the Series R Preferred Stock, the Company has not (i) declared or paid any dividends, or authorized or made any distribution upon or with respect to any class or series of its capital stock, (ii) incurred any indebtedness for money borrowed or incurred any other liabilities individually in excess of $50,000 or in excess of $200,000 in the aggregate, (iii) made any loans or advances to any person, other than ordinary advances for travel expenses, or (iv) sold, exchanged or otherwise disposed of any of its assets or rights, other than the sale of its inventory in the ordinary course of business.

(d) For the purposes of subsections (b) and (c) above, all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity (including persons or entities the Company has reason to believe are affiliated therewith) shall be aggregated for the purpose of meeting the individual minimum dollar amounts of such subsections.

2.12 **No Conflict of Interest**. The Company is not indebted, directly or indirectly, to any of its officers or directors or to any members of their respective immediate families, in any amount whatsoever other than in connection with expenses or advances of expenses incurred in the ordinary course of business or relocation expenses of employees. None of the Company's officers or directors, or any members of their immediate families, are, directly or indirectly, indebted to the Company (other than in connection with purchases of the Company's stock) or, to the Company's knowledge, have any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which the Company has a business relationship, or any firm or corporation which competes with the Company except that officers, directors and/or holders of capital stock of the Company may own stock in (but not exceeding two percent of the outstanding capital stock of) any publicly traded company that may compete with the Company. To the Company's knowledge, none of the Company's officers or directors or any members of their immediate families are, directly or indirectly, interested in any material contract with the Company. The Company is not a guarantor or indemnitor of any indebtedness of any other person, firm or corporation.

2.13 **Rights of Registration and Voting Rights**. Except as provided in the Investors' Rights Agreement, the Company is not under any obligation to register under the Securities Act any of its currently outstanding securities or any securities issuable upon exercise or conversion of its currently outstanding securities. To the Company's knowledge, except as contemplated in the Voting Agreement, no holder of capital stock of the Company has entered into any agreements with respect to the voting of capital shares of the Company.

2.14 **Title to Property and Assets**. The Company owns its property and assets free and clear of all mortgages, deeds of trust, liens, loans and encumbrances, except for statutory liens for the payment of current taxes that are not yet delinquent and encumbrances and liens that arise in the ordinary course of business and do not materially impair the Company's ownership or use of such property or assets. With respect to the property and assets it leases, the Company is in compliance in all material respects with such leases and, to its knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances other than to the lessors of such property or assets.

2.15 **Financial Statements**.

(a) The Company has made available to the Purchasers its audited financial statements (including balance sheet, income statement and statement of cash flows) as of and for the fiscal year ended December 31, 2014, and unaudited financial statements (including balance sheet, income statement and statement of cash flows) as of the 6 month period ending June 30, 2015 (the "Balance Sheet Date"), and its audited financial statements (including balance sheet, income statement and statement of cash flows) as of December 31, 2013 and for the fiscal year ended December 31, 2013 (collectively, the "Financial Statements").

(b) Notwithstanding the foregoing, with respect to the representations and warranties made by the Company in connection with the Initial Closing, in place of the representation set forth in Section 2.15(a) above, (i) the Company represents and warrants that as of the Initial Closing, the Company has made available to the Purchasers its most recent financial statements prepared in the Company's normal course of business (including balance sheet, income statement and statement of cash flows, audited solely to the extent the Company has conducted an audit of such financial period) (the date of such financial statements, the "Second Balance Sheet Date"), and (ii) for the purpose of the Initial Closing, the term "Financial Statements" shall be deemed to mean such updated interim financial statements effective as of the Second Balance Sheet Date.

(c) The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated, except that the unaudited Financial Statements may not contain all footnotes required by generally accepted accounting principles. The Financial Statements fairly present in all material respects the financial condition and operating results of the Company as of the dates, and for the periods, indicated therein. Except as set forth in the Financial Statements, the Company has no material liabilities or obligations, contingent or otherwise, other than (a) liabilities incurred in the ordinary course of business subsequent to the Balance Sheet Date and (b) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in the Financial Statements, which, in both cases, individually or in the aggregate are not material to the financial condition or operating results of the Company. The Company makes and keeps accurate books and records and maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

2.16 **Changes**. Since the Balance Sheet Date (or in the case of the representations made by the Company at the Initial Closing, since the Second Balance Sheet Date), included in the Financial Statements, there has not been:

(a) any change in the assets, liabilities, financial condition or operating results of the Company, except changes in the ordinary course of business that have not had a Material Adverse Effect;

(b) any damage, destruction or loss, whether or not covered by insurance, that have had a Material Adverse Effect;

(c) any waiver or compromise by the Company of a valuable right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by the Company, except in the ordinary course of business and the satisfaction or discharge of which would not have a Material Adverse Effect;

(e) any material change or amendment to a material contract or arrangement by which the Company or any of its assets or properties is bound or subject;

(f) any material change in any compensation arrangement or agreement with any officer;

(g) any resignation or termination of employment of any officer or key employee of the Company; and the Company, to its knowledge, does not know of the impending resignation or termination of employment of any such officer or key employee;

(h) any mortgage, pledge, transfer of a security interest in, or lien, created by the Company, with respect to any of its material properties or assets, except liens for taxes not yet due or payable;

(i) any debt, obligation or liability incurred, assumed or guaranteed by the Company except for those incurred in the ordinary course of the Company's business and in amounts which would not have a Material Adverse Effect;

(j) any failure to conduct business in the ordinary course, consistent with the Company's past practices;

(k) any loans or guarantees made by the Company to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(l) any declaration, setting aside or payment or other distribution in respect to any of the Company's capital stock, or any direct or indirect redemption, purchase, or other acquisition of any of such stock by the Company; or

(m) any arrangement or commitment by the Company to do any of the things described in this Section 2.16.

2.17 **Employee Benefit Plans**. The Schedule of Exceptions sets forth all employee benefit plans maintained, established or sponsored by the Company, or in or to which the Company participates or contributes, which is subject to the Employee Retirement Income Security Act of 1974, as amended. The Company has no material liabilities existing under or in connection with any such employee benefit plan and each such employee benefit plan has been established and administered in all material respects in accordance with its terms, and in material compliance with the applicable provisions of law except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

2.18 **Tax Returns, Payments, and Elections**. The Company has filed all tax returns and reports as required by law. These returns and reports are true and correct in all material respects. The Company has paid all taxes and other assessments due. The Company has not elected pursuant to the Code, to be treated as a Subchapter S corporation or a collapsible corporation pursuant to Section 1362(a) or Section 341(f) of the Code, nor has it made any other elections pursuant to the Code (other than elections that relate solely to methods of accounting, depreciation or amortization) that would have a Material Adverse Effect. The Company has never had any tax deficiency proposed or assessed against it and has not executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge. None of the Company's federal income tax returns and none of its state income or franchise tax or sales or use tax returns has ever been audited by governmental authorities. Since the date of the Financial Statements, the Company has not incurred any taxes, assessments or governmental charges other than in the ordinary course of business and the Company has made adequate provisions on its books of account for all taxes, assessments and governmental charges with respect to its business, properties and operations for such period. The Company has withheld or collected from each payment made to each of its employees, the amount of all taxes (including, but not limited to, federal income taxes, Federal Insurance Contribution Act taxes and Federal Unemployment Tax Act taxes) required to be withheld or collected therefrom, and has paid the same to the proper tax receiving officers or authorized depositories.

2.19 **Confidential Information and Invention Assignment Agreements**. Each employee, consultant and officer of the Company has executed an agreement with the Company regarding confidentiality and proprietary information substantially in the form or forms delivered to the counsel for the Purchasers. The Company is not aware that any of its employees or consultants is in violation thereof.

2.20 **Governmental Authorizations**. The Company and each of its Subsidiaries, officers, agents, representatives and employees: possesses, holds and has all franchises, consents, permits, licenses, approvals, bonds, deposits, authorizations, registrations, accreditations, certificates and similar authority required to be obtained or secured from any federal, state, local or foreign governmental or quasi-governmental bureau, registry, instrumentality, office, department, authority, body or agency ("Governmental Authority") required in connection with the business and operations of the Company and the activities of any officer, employee, agent or representatives of the Company, which failure to hold or obtain would result in a Material Adverse Effect (collectively, "Governmental Authorizations"). The Company, Messrs. Michael S. Cagney, Saturnino Fanlo, and Robert Lavet, and to the Company's knowledge, its other officers, agents, representatives and employees are not in default in any material respect under any of such Governmental Authorizations. The execution, delivery and performance of the Transaction Agreements and the consummation of the transactions contemplated therein will not result in a violation of or be in conflict with or result in the suspension, revocation, impairment, limitation or forfeiture or nonrenewal of any Governmental Authorization applicable to the Company or any employee, agent, officer or representative of the Company.

2.21 **Corporate Documents**. The Restated Certificate and Bylaws of the Company are in the form provided to counsel for the Purchasers. The copy of the minute books of the Company provided to the Purchasers' counsel contains minutes of all meetings of directors and holders of capital stock and all actions by written consent without a meeting by the directors and holders of capital stock since the date of incorporation and reflects all actions by the directors (and any committee of directors) and holders of capital stock with respect to all transactions referred to in such minutes accurately in all material respects.

2.22 **Severance Arrangement**. The Company has not entered into any severance arrangements with any employee that provides for a cash payment in excess of $75,000; provided, that the Company has entered into arrangements with service providers providing for acceleration of vesting of restricted stock or options issued to employees in connection with or following a change of control.

2.23 **Employment Agreements**. The employment of each officer and employee of the Company is terminable at the will of the Company. To its knowledge, the Company has complied in all material respects with all applicable state and federal equal employment opportunity laws and with other laws related to employment.

2.24 **Compliance with Applicable Laws**.

(a) Without limiting the provisions of Section 2.20, the Company and each of its Subsidiaries, officers, agents, representatives and employees has made or provided all declarations, notices, filings, statements and responses to Governmental Authorities necessary to conduct business and engage in activities in compliance with Applicable Laws in each jurisdiction where the Company and each Subsidiary conducts business or maintains any branch or business location. The Company and each of its Subsidiaries, officers, representatives, agents and employees (i) is in compliance with the terms, limitations, requirements and conditions of all such Governmental Authorizations, and (ii) are conducting and have conducted business and engaged in activities, including, without limitation, solicitation, marketing, offering, closing, funding, transfer and sale of any consumer loans or consumer credit transactions, in compliance with all Applicable Laws in all material respects. All Governmental Authorizations are valid, in existence and in full force and effect and the Company, any Subsidiary or any of its officers, agents, representatives or employees have received no notice or been made aware of any circumstances that could be expected to impair, limit or cause any delay, modification, revocation or suspension of any such Governmental Authorization or give rise to the foregoing. The Company and each of its Subsidiaries has timely filed all reports, registrations, documents, filings statements and submissions, together with any amendments thereto, that are required to be filed with any Governmental Authority, and paid any fees due in connection therewith.

(b) The operations of the Company and its Subsidiaries each has been conducted at all times in material compliance with applicable financial recordkeeping and reporting requirements of the money laundering statutes of all applicable jurisdictions, and the rules and regulations thereunder issued, administered or enforced by any state or federal governmental agency (collectively, the "Money Laundering Laws"). None of the Company, any of its Subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its Subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"); and the Company will not, directly or indirectly, use the proceeds of the offering of the Stock hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(c) Neither the Company nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or material modification of any Governmental Authorization, nor does the Company or any of its Subsidiaries have any information, directly or indirectly, that indicates or would reasonably indicate that it is or may be subject to any actual or threatened actions, proceedings, investigations or inquiries of any Governmental Authority (other than inspections or examinations in an ordinary course) with respect to its business activities in any jurisdiction where it conducts business, or any actual or possible violations of Applicable Laws.

(d) The Company and each of its Subsidiaries has developed and implemented, and enforces, and at all times will continue to implement and enforce, written policies and procedures that are reasonably designed to assure compliance with state, and federal Laws that apply to the Regulated Consumer Business, Money Laundering Laws, and OFAC requirements.

2.25 **Compliance with Warehouse Facilities and Securitization Documents**. Except for the Warehouse Facilities, the Company has no outstanding indebtedness for borrowed money. Neither the Company nor any applicable Subsidiary is or has at any time been in default under any Warehouse Facility that has not been remedied to the satisfaction of lenders or credit providers under the Warehouse Facilities. No lender or credit provider under the Warehouse Facilities has declined to fund or otherwise declined any material number of credit transactions of the Company or any Subsidiary thereunder. Neither the Company nor any Subsidiary has been required to repurchase any Underlying Loan by reason of noncompliance with the eligibility criteria under a Securitization Document or for any other reason and neither the Company nor any applicable Subsidiary has received notice of any such required repurchase. The Company's loan origination processes and procedures comply in all material respects with Applicable Laws and with the requirements of the Warehouse Facilities.

2.26 **Investment Company**. The Company is not an investment company within the meaning of the Investment Company Act of 1940, as amended.

2.27 **Shell Company Status**. The Company is not, and has never been, an issuer identified in Rule 144(i)(1) promulgated under the Securities Act.

2.28 **Section 83(b) Elections**. To the Company's knowledge, all individuals who have purchased unvested shares of the Company's Common Stock have timely filed elections under Section 83(b) of the Code and any analogous provisions of applicable state tax laws.

2.29 **No "Bad Actor" Disqualification**. The Company has exercised reasonable care, in accordance with Securities and Exchange Commission ("SEC") rules and guidance, to determine whether any Covered Person (as defined below) is subject to any of the "bad actor" disqualifications described in Rule 506(d)(1)(i) through (viii) under the Securities Act ("Disqualification Events"). To the Company's knowledge, no Covered Person is subject to a Disqualification Event, except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3) under the Securities Act. The Company has complied, to the extent applicable, with any disclosure obligations under Rule 506(e) under the Securities Act. "Covered Persons" are those persons specified in Rule 506(d)(1) under the Securities Act, including the Company; any predecessor or affiliate of the Company; any director, executive officer, other officer participating in the offering, general partner or managing member of the Company; any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power; any promoter (as defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of the sale of the Series F Preferred Stock; and any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of the Series F Preferred Stock (a "Solicitor"), any general partner or managing member of any Solicitor, and any director, executive officer or other officer participating in the offering of any Solicitor or general partner or managing member of any such Solicitor

3. **Representations and Warranties of the Purchasers**. Each Purchaser, or if indicated on the relevant signature page hereto, then the parties for whom the Purchaser serves as nominee, hereby represents and warrants to the Company, severally and not jointly, that:

3.1 **Authorization**. The Purchaser has full power and authority to enter into the Transaction Agreements. The Transaction Agreements, when executed and delivered by the Purchaser, will constitute valid and legally binding obligations of the Purchaser, enforceable in accordance with their terms, except as limited by the Enforceability Exceptions.

3.2 **Purchase Entirely for Own Account**. This Agreement is made with the Purchaser in reliance upon the Purchaser's representation to the Company, which by the Purchaser's execution of this Agreement, the Purchaser hereby confirms, that the Securities to be acquired by the Purchaser will be acquired for investment for the Purchaser's own account, not as a nominee or agent, except as set forth in the signature page of the Purchaser hereto, and not with a view to the resale or distribution of any part thereof, and that the Purchaser has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, the Purchaser further represents that the Purchaser does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Securities. The Purchaser has not been formed for the specific purpose of acquiring the Securities.

3.3 **Disclosure of Information**. The Purchaser has had an opportunity to discuss the Company's business, management, financial affairs and the terms and conditions of the offering of the Stock with the Company's management and has had an opportunity to review the Company's facilities. The Purchaser understands that such discussions, as well as the business plan and any other written information delivered by the Company to the Purchaser, were intended to describe the aspects of the Company's business which the Purchaser believes to be material. The foregoing, however, does not limit or modify the representations or warranties of the Company in Section 2 of this Agreement or the right of Purchaser to rely thereon.

3.4 **Restricted Securities**. The Purchaser understands that the Securities have not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Purchaser's representations as expressed herein. The Purchaser understands that the Securities are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, the Purchaser must hold the Securities indefinitely unless they are registered with the Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. The Purchaser acknowledges that the Company has no obligation to register or qualify the Securities for resale except as set forth in the Investors' Rights Agreement. The Purchaser further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Securities, and on requirements relating to the Company which are outside of the Purchaser's control, and which the Company is under no obligation and may not be able to satisfy.

3.5 **No Public Market**. The Purchaser understands that no public market now exists for any of the securities issued by the Company, and that the Company has made no assurances that a public market will ever exist for the Securities.

3.6 **Legends**. The Purchaser understands that the Securities, and any securities issued in respect thereof or exchange therefor, may bear one or all of the following legends:

(a) "THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933."

(b) Any legend set forth in or required by the other Transaction Agreements.

(c) Any legend required by the securities laws of any state to the extent such laws are applicable to the shares represented by the certificate so legended.

3.7 **Accredited Investor**. The Purchaser is an accredited investor as defined in Rule 501(a)(1), (2), (3), or (7) of Regulation D promulgated under the Securities Act.

3.8 **Disqualification**. Except as disclosed in writing to the Company on or prior to the date of such Purchaser's purchase of Series F Preferred Stock hereunder, each Purchaser represents that neither such Purchaser, nor any person or entity with whom such Purchaser shares beneficial ownership of Company securities, is subject to any Disqualification Event, except for Disqualification Events covered by Rule 506(d)(2)(ii) or (iii) or (d)(3) under the Securities Act and disclosed reasonably in advance of the Closing in writing in reasonable detail to the Company.

3.9 **Foreign Investors**. If the Purchaser is not a United States person (as defined by Section 7701(a)(30) of the Code), such Purchaser hereby represents that it has satisfied itself as to the full observance of the laws of its jurisdiction that are applicable to it in connection with any invitation to subscribe for the Securities or any use of this Agreement, including (a) the legal requirements within its jurisdiction for the purchase of the Securities that are applicable to such Purchaser, (b) any foreign exchange restrictions applicable to such Purchaser in its jurisdiction in connection with such purchase, (c) any governmental or other consents that may need to be obtained by such Purchaser, and (d) the income tax and other tax consequences, if any, that may be applicable to such Purchaser and relevant to the purchase, holding, redemption, sale, or transfer of the Securities. Such Purchaser's subscription and payment for and continued beneficial ownership of the Securities, will not violate any applicable securities or other laws of the Purchaser's jurisdiction that are applicable to it. For the avoidance of doubt, Purchaser is not making any representations or warranties as to the actions taken or required to be taken by the Company in connection herewith.

3.10 **No General Solicitation**. Neither the Purchaser, nor any of its officers, directors, employees, agents, holders of capital stock or partners has either directly or indirectly, including through a broker or finder (a) engaged in any general solicitation, or (b) published any advertisement in connection with the offer and sale of the Stock.

3.11 **Exculpation Among Purchasers**. Each Purchaser acknowledges that it is not relying upon any person, firm or corporation, other than the Company and its officers and directors, in making its investment or decision to invest in the Company. Each Purchaser agrees that no Purchaser (including the respective controlling persons, officers, directors, partners, agents, or employees of any Purchaser), shall be liable to any Purchaser for any action heretofore or hereafter taken or omitted to be taken by any of them in connection with the purchase of the Securities.

3.12 **Nominee Agent representation**. Notwithstanding anything to the contrary herein, certain Purchasers indicating on the relevant signature page hereto that they are purchasing the Securities as a nominee (such Purchasers, the "Nominee Purchasers") hereby notify the Company that all Securities to be issued to such applicable Nominee Purchaser under this Agreement, and all stock or securities issuable upon conversion thereof, shall be held by such Nominee Purchaser as a nominee for certain Affiliates. Furthermore, each Nominee Purchaser agrees and acknowledges on behalf of such Nominee Purchaser's Affiliates that such Affiliates are hereby bound by the terms and conditions of this Agreement and the agreements and transactions contemplated herein (including, without limitation, the "Lock-Up Agreement" set forth in Section 1.14 of the Investors' Rights Agreement). Each Nominee Purchaser and each of such Nominee Purchaser's Affiliates represents and agrees that such Nominee Purchaser has all authority necessary to take all actions with respect to this Agreement and the Securities and any stock or securities issuable upon the conversion thereof, including, without limitation, all actions relating to the voting of such stock or securities. Each Nominee Purchaser hereby represents and warrants that the undersigned authorized signatory of such Nominee Purchaser possesses all necessary authority to execute and deliver any agreements, contracts, or documents, and to act on behalf of and binding upon such Nominee Purchaser's Affiliates with respect to the Securities.

4. **Mutual Covenants**.

4.1 **Regulatory Filings**. The Company and each Purchaser shall make all filings to secure necessary regulatory approvals associated with the Company's various lending activities which regulatory approvals will arise as a consequence of such Purchaser's purchase of the Stock (including shares issuable upon conversion of the Note) and at the Closing.

4.2 **Obligations Related to Conditions Precedent**. The Company shall use commercially reasonable efforts to cause (i) each of the conditions specified in Section 5.1 to be satisfied on or prior to the date of the Note Closing and (ii) with respect to the issuance and sale of Stock at the Initial Closing, each of the conditions specified in Section 5.2 on or before the Final Conversion Date. The Purchasers shall use commercially reasonable efforts to cause (i) each of the conditions specified in Section 6.1 to be satisfied on or prior to the date of the Note Closing and (ii) with respect to the issuance and sale of Stock at the Initial Closing, each of the conditions specified in Section 6.2 on or before the Final Conversion Date. Unless otherwise agreed by the parties in writing, should the Note Closing or a Closing occur, neither party shall have any liability to the other with respect to the satisfaction, or non-satisfaction, of any condition precedent set forth in Section 5 or 6, all such conditions precedent having been deemed satisfied or waived as a result of the occurrence of such Note Closing or Closing, provided, however, that this provision shall not apply to release any party from a breach of any other provision of this Agreement that may exist upon, before or after such Note Closing or Closing, including under Section 2, 3 and 4 of this Agreement, even though the subject matter of such provision may also be covered by a condition precedent in Section 5 or 6.

4.3 **Further Assurances and Cooperation**. The Company and the Purchasers agree to execute and deliver, or cause their respective affiliates to execute and deliver, such further documents and instruments and to take such further actions after the Note Closing or the Closing, as applicable, as may be necessary or desirable and reasonably requested by the other Party to give effect to the transactions contemplated by this Agreement.

4.4 **Updated Schedule of Exceptions**. Not more than ten (10) business days or less than five (5) business days prior to the Initial Closing, the Company shall deliver to the Purchasers a draft of any written updates to, or written substitutions of, the Schedule of Exceptions in order to make the representations and warranties set forth in Section 2 true and correct in all material respects as of the Initial Closing, with a final version delivered to each Purchaser as of the date of the Initial Closing with no material deviation from the draft previously submitted (each such additional written disclosure, a "Schedule of Exceptions Supplement"). For purposes of determining the accuracy of the representations and warranties set forth in Section 2 as of the Initial Closing and for purposes of determining the satisfaction of the conditions set forth in Section 5.2(a), the Schedule of Exceptions Supplement shall be deemed to constitute the Schedule of Exceptions for all purposes under this Agreement.

4.5 **Tender Offer**. Promptly following the Initial Closing, the Company and the Specified Preferred Holders shall reasonably cooperate to effect the Tender Offer in the form of the definitive documents attached hereto as Exhibit G. The Specified Preferred Holders shall consummate the closings of the Tender Offer in accordance with the time periods specified in the Investors' Rights Agreement; provided, however, that each Specified Preferred Holder's obligations to accept for purchase and pay for shares tendered in the Tender Offer shall be subject to the satisfaction or waiver by such Specified Preferred Holder of (i) the conditions set forth in Section 5 hereof, and (ii) the additional conditions that (x) the Specified Preferred Holder shall be reasonably satisfied that the Initial Closing will occur and (y) this Agreement shall not have been terminated.

4.6 **Regulatory Approvals**. Each party will use its reasonable best efforts to file, as soon as practicable after the date of this Agreement, all notices, reports and other documents as may be required to be filed by such party with any Governmental Authority with respect to the transactions contemplated hereby, and to submit promptly any additional information requested by any such Governmental Authority. Each party will consult and cooperate with each other, and consider in good faith the view of one another, and use, and will cause its Subsidiaries to use, its reasonable best efforts to take or cause to be taken all actions, and do or cause to be done, all things necessary, proper or advisable on its part under this Agreement and Applicable Laws to consummate the transactions contemplated hereby and by the Transaction Agreements as promptly as reasonably practicable, including: (i) make all filings (if any) and give all notices (if any) required by the states set forth on Exhibit I to be made and given by such party or any of its Subsidiaries in connection with such transactions; (ii) use its reasonable best efforts to obtain each consent (if any) required to be obtained (pursuant to any Applicable Laws in the states set forth on Exhibit I or otherwise) by such party or any of its Subsidiaries in connection with the transactions contemplated hereby and by the Transaction Agreements; and (iii) use its reasonable best efforts to lift (and oppose and defend against any legal proceeding seeking to impose) any restraint, injunction or other legal bar to the transactions contemplated hereby and by the Transaction Agreements or challenging any of the foregoing. Each of the parties will provide the other party with a copy of each proposed filing with or other submission to any Governmental Authority relating to the transactions contemplated hereby and by the Transaction Agreements, and will give the other party a reasonable time prior to making such filing or other submission in which to review and comment on such proposed filing or other submission. Each of the parties will cooperate reasonably with each other in connection with the making of each filing and promptly deliver to the other a copy of each such filing or other submission made hereunder, each notice given and each consent obtained. No party will agree to participate in any in-person meeting with any Governmental Authority in respect of any filings, investigation or other inquiry relating to the transactions contemplated hereby and by the Transaction Agreements, unless it consults with the other parties in advance and, to the extent permitted by such Governmental Authority, gives the other parties the opportunity to attend and participate at such meeting. No party may consent to any voluntary extension of any statutory deadline or waiting period or to any voluntary delay of the transactions contemplated hereby and by the Transaction Agreements at the behest of any Governmental Authority without the consent of the other parties to this Agreement.

4.7 **Financial Statements**. For so long as any indebtedness remains outstanding under the Note, the Company shall deliver to Investor audited annual financial statements within 120 days following the close of each fiscal year. The obligation of the Company to furnish such information shall terminate at such time as the Company (i) consummates an initial public offering, and (ii) becomes subject to the reporting provisions of the Securities Exchange Act of 1934, as amended.

4.8 **Debt Covenants**.

(a) **Debt-to-Equity Ratio**. For so long as any indebtedness remains outstanding under the Note, as of the last day of each fiscal quarter commencing on September 30, 2015, the Leverage Ratio of the Company, shall not exceed 5:1. Furthermore, for so long as any indebtedness remains outstanding under the Note, the Company shall furnish to SoftBank, on or before the 15th business day following the last day of such fiscal quarter, a certificate signed by the chief financial officer of the Company, or a designated representative of the Company that is reasonably acceptable to SoftBank, which shall reflect the calculations of the Leverage Ratio of the Company, determined as of the end of such fiscal quarter.

(b) **Future Senior Debt**. For so long as any indebtedness remains outstanding under the Note, the Company shall not be permitted to assume additional indebtedness outside the ordinary course of business for purposes of an alternative to an equity financing similar to the Note if the Note would be subordinate in right of payment to such additional indebtedness.

5. **Conditions of the Purchasers' Obligations**.

5.1 **Conditions to Note Closing**. The obligations of SoftBank to the Company under this Agreement are subject to the fulfillment, on or before the Note Closing, of each of the following conditions, unless otherwise waived:

(a) **Representations and Warranties**. The representations and warranties of the Company contained in Section 2 shall be true and correct in all material respects on and as of the Note Closing.

(b) **Performance**. The Company shall have performed and complied with all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Note Closing.

(c) **Compliance Certificate**. The President of the Company shall deliver to SoftBank at the Note Closing a certificate certifying that the conditions specified in Sections 5.1(a) and 5.1(b) have been fulfilled.

(d) **Secretary's Certificate**. The Secretary of the Company shall deliver to SoftBank at the Note Closing a certificate certifying (a) the Restated Certificate, (b) the Bylaws of the Company, (c) resolutions of the Board of Directors of the Company approving the Transaction Agreements and the transactions contemplated hereby and thereby, and (d) resolutions of the stockholders of the Company approving the issuance of the Note.

(e) **Qualifications**. All authorizations, approvals or permits, if any, of any Governmental Authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Note pursuant to this Agreement shall be obtained and effective as of the Note Closing.

(f) **Opinion of Company Counsel**. The Purchasers shall have received from Orrick, Herrington & Sutcliffe LLP, counsel for the Company, an opinion, dated as of the Note Closing, in substantially the form of Exhibit F-1.

5.2 **Conditions to Initial Closing**. The obligations of each Purchaser to the Company under this Agreement are subject to the fulfillment, on or before the Initial Closing, of each of the following conditions, unless otherwise waived:

(a) **Representations and Warranties**. The representations and warranties of the Company contained in Section 2 shall be true and correct in all material respects on and as of the Initial Closing with the same effect as though such representations and warranties had been made on and as of the date of the Initial Closing.

(b) **Performance**. The Company shall have performed and complied with all covenants, agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Initial Closing.

(c) **Compliance Certificate**. The President of the Company shall deliver to the Purchasers at the Initial Closing a certificate certifying that the conditions specified in Sections 5.1(a) and 5.1(b) have been fulfilled.

(d) **Secretary's Certificate**. The Secretary of the Company shall deliver to the Purchasers at the Note Closing a certificate certifying (a) the Restated Certificate, (b) the Bylaws of the Company, (c) resolutions of the Board of Directors of the Company approving the Transaction Agreements and the transactions contemplated hereby and thereby, and (d) resolutions of the stockholders of the Company approving the issuance of the Stock.

(e) **Qualifications**. All authorizations, approvals or permits, if any, of any Governmental Authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Stock pursuant to this Agreement shall be obtained and effective as of the Initial Closing.

(f) **Governmental Authorizations**. The Company shall have irrevocably and unconditionally obtained or secured and caused all Subsidiaries to irrevocably and unconditionally obtain or secure all Governmental Authorizations necessary (i) to lawfully consummate the transactions contemplated by the Transaction Agreements and (ii) to conduct its business and operations in compliance with all Applicable Laws and Governmental Authorizations on and after the Initial Closing.

(g) **Opinion of Company Counsel**. The Purchasers shall have received from Orrick, Herrington & Sutcliffe LLP, counsel for the Company, an opinion, dated as of the Initial Closing, in substantially the form of Exhibit F-2.

(h) **Board of Directors**. As of immediately following the Initial Closing, there shall be seven (7) authorized members of the Board, one of whom will be designated by SoftBank. The Company shall have received resignations from the Board from each of the current members of the Board who will not be a member of the Board immediately following the Initial Closing.

(i) **Indemnification Agreement**. The Company and each new member of the Board as of immediately following the Initial Closing shall have entered into the Company's standard form of indemnification agreement for its officers and directors.

(j) **Investors' Rights Agreement**. The Company, the Founders and the Purchasers shall have executed and delivered the Investors' Rights Agreement.

(k) **Right of First Refusal and Co-Sale Agreement**. The Company, the Founders and the Purchasers shall have executed and delivered the Right of First Refusal and Co-Sale Agreement.

(l) **Voting Agreement**. The Company, the Founders and the Purchasers shall have executed and delivered the Voting Agreement.

(m) **Restated Certificate**. The Restated Certificate shall continue to be in full force and effect as of the Initial Closing.

(n) **Confidential Information and Invention Assignment Agreement**. The Company and each of its employees shall have entered into the Company's standard form Confidential Information and Invention Assignment Agreement, in substantially the form provided to the Purchasers.

(o) **Compliance with Laws**. The Company shall have provided to SoftBank (and any other Purchaser so requesting), in form, content and detail satisfactory to such Purchaser and its counsel, a comprehensive written compliance management program demonstrating the existence and implementation or deployment of governance, resources, training, monitoring and auditing at least sufficient to meet and comply with standards and guidelines established by the Consumer Financial Protection Bureau and other Applicable Laws for businesses offering the products and services of the Company, together with written compliance policies, procedures, processes and controls consistent with the same and all Applicable Laws.

(p) **Commencement of Tender Offer**. The Company and the Specified Preferred Holders shall have agreed to the final documentation for the Tender Offer.

6. **Conditions of the Company's Obligations**.

6.1 **Conditions to Note Closing**. The obligations of the Company to SoftBank under this Agreement are subject to the fulfillment, on or before the Note Closing, of each of the following conditions, unless otherwise waived:

(a) **Representations and Warranties**. The representations and warranties of SoftBank contained in Section 3 shall be true and correct in all material respects on and as of the Note Closing.

(b) **Performance**. All covenants, agreements and conditions contained in this Agreement to be performed by SoftBank on or prior to the Note Closing shall have been performed or complied with in all material respects.

(c) **Qualifications**. All authorizations, approvals or permits, if any, of any Governmental Authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Stock pursuant to this Agreement shall be obtained and effective as of the Note Closing.

6.2 **Conditions to Initial Closing**. The obligations of the Company to any Purchaser under this Agreement are subject to the fulfillment, on or before the Initial Closing, of each of the following conditions, unless otherwise waived:

(a) **Representations and Warranties**. The representations and warranties of such Purchaser contained in Section 3 shall be true and correct in all material respects on and as of the Initial Closing.

(b) **Performance**. All covenants, agreements and conditions contained in this Agreement to be performed by such Purchaser on or prior to the Initial Closing shall have been performed or complied with in all material respects.

(c) **Qualifications**. All authorizations, approvals or permits, if any, of any Governmental Authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Stock pursuant to this Agreement shall be obtained and effective as of the Initial Closing.

7. **Miscellaneous**.

7.1 **Survival of Warranties**. Unless otherwise set forth in this Agreement, the warranties, representations and covenants of the Company and the Purchasers contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Initial Closing for a period of two (2) years following the Initial Closing. Notwithstanding the foregoing, the representations and warranties set forth in Sections 2.1, 2.2, 2.4, 2.5, 2.6, 2.17, 2.18, and 2.24 shall survive for the period of the statute of limitations.

7.2 **Indemnification**. The Company shall indemnify and hold harmless the Purchasers from and against any loss, liability, claim, damage, injury, or expense (including without limitation, reasonable attorney's fees) incurred in connection with any third party claim against the Company or the Purchasers resulting or arising from or in connection with (i) any inaccuracy in or breach by the Company of any of its representations or warranties contained in this Agreement, or (ii) the non-performance and/or breach by the Company of any of its covenants contained in this Agreement. For the avoidance of doubt, nothing in this Agreement shall limit the right of the Purchaser to pursue any claim against the Company resulting or arising from or in connection with (i) any inaccuracy in or breach by the Company of any of its representations or warranties contained in this Agreement, or (ii) the non-performance and/or breach by the Company of any of its covenants contained in this Agreement.

7.3 **Use of Proceeds**. The proceeds to the Company from the sale of the Stock may be used for the funding of student, mortgage, and other loans, building the Company's business, including development of new products, and working capital purposes.

7.4 **Publicity**. The Company will not make any public statements or issue press releases in connection with the transactions contemplated by this Agreement that reference the Purchasers or their respective affiliates or investment advisors without such Purchaser's prior written approval, which shall not be unreasonably withheld; provided, however, that the foregoing shall not be applicable to any regulatory filings, registrations, or compliance with any federal, state, or other governmental entity, including, without limitation, filings pursuant to Regulation D of the Securities Act; provided, further, that the Company must give prior notice to the Purchasers of any such filings, registrations, or compliance.

7.5 **Transfer; Successors and Assigns**. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

7.6 **Governing Law**. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

7.7 **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

7.8 **Interpretation**. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. As used in this Agreement, the phrase "to the Company's knowledge" shall mean the actual knowledge of the following officers after reasonable inquiry: Michael S. Cagney, Saturnino Fanlo, and Robert Lavet.

7.9 **Notices**. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon delivery, when delivered personally or by overnight courier or sent by email or fax (upon customary confirmation of receipt), or 48 hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, addressed to the party to be notified only at such party's address or fax number as set forth on the signature page or Exhibit A hereto, or as subsequently modified by written notice, and if to the Company, with a copy to Peter Cohn, Orrick, Herrington & Sutcliffe LLP, 1000 Marsh Road, Menlo Park, California 94025-1015.

7.10 **Finder's Fee**. Except as may be set forth on the Schedule of Exceptions, each party represents that it neither is nor will be obligated for any finder's fee or commission in connection with this transaction. Each Purchaser agrees to indemnify and to hold harmless the Company from any liability for any commission or compensation in the nature of a finder's fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which each Purchaser or any of its officers, employees, or representatives is responsible. The Company agrees to indemnify and hold harmless each Purchaser from any liability for any commission or compensation in the nature of a finder's or broker's fee arising out of this transaction (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its officers, employees or representatives is responsible.

7.11 **Fees and Expenses**. The Company shall pay the reasonable fees and expenses of Morrison & Foerster LLP, the counsel for the lead Purchaser, reasonable fees and expenses of experts, consultants and the like and other expenses incurred in connection with performing due diligence with respect to the Transaction Agreements, and the transactions contemplated thereby, provided such fees and expenses do not exceed, in the aggregate, $50,000. The Purchasers may effect such reimbursement at the Initial Closing by withholding from the payment of the purchase price the amount to which they are entitled to reimbursement pursuant to the preceding sentence. Notwithstanding the withholding of such amount, the Purchasers shall be deemed to have paid to the Company the full amount so withheld.

7.12 **Attorney's Fees**. If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of this Agreement (including, without limitation, in connection with (i) any inaccuracy in or breach by the Company of any of its representations or warranties contained in this Agreement, or (ii) the non-performance and/or breach by the Company of any of its covenants contained in this Agreement), the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

7.13 **Amendments and Waivers**. Any term of this Agreement may be amended or waived only with the written consent of the Company and the holders of at least a majority of the Common Stock issued or issuable upon conversion of the Stock. Any amendment or waiver effected in accordance with this Section 7.13 shall be binding upon the Purchasers and each transferee of the Securities, each future holder of all such Securities, and the Company.

7.14 **Severability**. If one or more provisions of this Agreement are held to be unenforceable under applicable laws, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement,

(a) the balance of this Agreement shall be interpreted as if such provision were so excluded and

(b) the balance of this Agreement shall be enforceable in accordance with its terms.

7.15 **Delays or Omissions**. No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

7.16 **Entire Agreement**. This Agreement, the Transaction Agreements, and the documents referred to herein constitute the entire agreement among the parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements relating to the subject matter hereof existing between the parties hereto are expressly canceled.

7.17 **Corporate Securities Law**. THE SALE OF THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF BUSINESS OVERSIGHT OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF THE SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO THE QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPT FROM THE QUALIFICATION BY SECTION 25100, 25102 OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON THE QUALIFICATION BEING OBTAINED UNLESS THE SALE IS SO EXEMPT.

7.18 **Waiver of Conflicts**. Each party to this Agreement acknowledges that Orrick, Herrington & Sutcliffe LLP, counsel for the Company, has in the past performed and may continue to perform legal services for certain of the Purchasers in matters unrelated to the transactions described in this Agreement, including the representation of such Purchasers in venture capital financings and other matters. Accordingly, each party to this Agreement hereby (a) acknowledges that they have had an opportunity to ask for information relevant to this disclosure; and (b) gives its informed consent to Orrick, Herrington & Sutcliffe LLP's representation of certain of the Purchasers in such unrelated matters and to Orrick, Herrington & Sutcliffe LLP's representation of the Company in connection with this Agreement and the transactions contemplated hereby.

7.19 **Dispute Resolution**. The parties (a) hereby irrevocably and unconditionally submit to the jurisdiction of the state courts of the State of Delaware and to the jurisdiction of the United States District Court for the District of Delaware for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other proceeding arising out of or based upon this Agreement except in the state courts of the State of Delaware or the United States District Court for the District of Delaware, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court.

WAIVER OF JURY TRIAL: EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS, THE SECURITIES OR THE SUBJECT MATTER HEREOF OR THEREOF. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES HERETO AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS. EACH PARTY HERETO HEREBY FURTHER WARRANTS AND REPRESENTS THAT SUCH PARTY HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

7.20 **No Further Commitment**. The Company acknowledges and agrees that no Purchaser has made any representation, undertaking, commitment or agreement to provide or assist the Company in obtaining any financing, investment or other assistance, other than the purchase of the Stock as set forth herein and subject to the conditions set forth herein. In addition, the Company acknowledges and agrees that (a) no statements, whether written or oral, made by any Purchaser or its representatives on or after the date of this Agreement shall create an obligation, commitment or agreement to provide or assist the Company in obtaining any financing or investment, (b) the Company shall not rely on any such statement by any Purchaser or its representatives and (c) an obligation, commitment or agreement to provide or assist the Company in obtaining any financing or investment may only be created by a written agreement, signed by such Purchaser and the Company, setting forth the terms and conditions of such financing or investment and stating that the parties intend for such writing to be a binding obligation or agreement. Each Purchaser shall have the right, in its sole and absolute discretion, to refuse or decline to participate in any other financing of or investment in the Company, and shall have no obligation to assist or cooperate with the Company in obtaining any financing, investment or other assistance.

7.21 **Termination**. The obligations of the Company and each Purchaser to consummate the Initial Closing shall, at the option of the Company or any Purchaser, terminate and be of no further force and effect at 11:59 pm (Pacific Time) on December 24, 2015 (the "Final Conversion Date"), if by such time all of the conditions precedent set forth in Sections 5 and 6 have not been satisfied (or waived in writing by the Company or such Purchaser, as applicable); provided that, the terminating party is not, on the date of termination, in material breach of any material provision of this Agreement. Notwithstanding anything to the contrary contained in this Agreement, either the Company or the Purchasers (as indicated below) shall have the right, prior to the Initial Closing, to terminate this Agreement if any of the following events shall have occurred prior to the Initial Closing (provided that any termination of this Agreement shall in no way effect a termination of the Note, which shall remain outstanding and in full force and effect in accordance with its terms):

(a) If any Applicable Law (including the ability to obtain licenses for the business activities of the Company) is amended or vacated in a way that would likely result in a reduction of the Company's five year projected annual revenue by an amount in excess of 35% (as reasonably determined by the Company and SoftBank, provided that if such parties disagree, they shall mutually retain an independent accounting firm of national standing to make such determination), each Purchaser shall be entitled to terminate this Agreement with respect to such Purchaser by providing notice to the Company.

(b) If a Governmental Authority shall have issued a judgment, order, writ, or decree or taken any other action (which judgment, order, writ, or decree the parties hereto shall use their commercially reasonable efforts to lift) permanently restraining, enjoining or otherwise prohibiting the consummation of the Initial Closing and such judgment, order, writ, or decree other action shall have become final and non-appealable, either party shall be entitled to terminate this Agreement by providing notice to the other party.

(c) If the Company delivers a Schedule of Exceptions Supplement pursuant to Section 4.4 which contains an update that could reasonably be expected to cause a Material Adverse Effect on the Company or, if the representation or warranty contains a materiality qualifier pursuant to its terms, any effect on the Company, each Purchaser shall be entitled to terminate this Agreement with respect to such Purchaser by providing notice to the Company.

(d) This Agreement may be terminated by the mutual written consent of the parties.

[*Signature Pages Follow*]

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE COMPANY:

SOCIAL FINANCE, INC.

By: /s/ Michael S. Cagney
Name: Michael S. Cagney
Title: Chief Executive Officer

Address:
One Letterman Drive, Building C
Main Floor Suite 250
San Francisco, CA 94129

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

SOFTBANK GROUP
INTERNATIONAL LIMITED

By: /s/ Nikesh Arora
Name: Nikesh Arora
Title: President and Chief Operating Officer

Address:
c/o MoFo Notices Limited Citypoint, One Ropemaker Street
London, ECZY 9AW, UK

Fax:
Email:

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

BASELINE SIDE CAR, L.P., a Delaware limited partnership

By: BASELINE SIDE CAR ASSOCIATES, LLC,
a Delaware limited liability company,
its general partner

/s/ Steve Anderson
Name: Steven P. Anderson
Title: Member

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

BASELINE ENCORE, L.P.

By: /s/ Steve Anderson
Name: Steven P. Anderson
Title: Member of Baseline Encore Associates, LLC, the General Partner of Baseline Encore, L.P.

Address: Baseline Ventures
1800 Filbert Street
San Francisco, CA 94123

Email: steve@baselinev.com

Fax: (415) 651-8978

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

BASELINE INCREASED EXPOSURE FUND LLC

By: /s/ Steve Anderson
Steve Anderson
Managing Member

BASELINE VENTURES 2009, LLC

By: /s/ Steve Anderson
Steve Anderson
Managing Member

Address:

1800 Filbert Street
San Francisco, CA 94123

Fax:

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

BASELINE CABLE CAR, LLC

By: /s/ Steve Anderson
Name: Steve Anderson
Title: Managing Member

Address for notice:

Baseline Ventures
1800 Filbert Street
San Francisco, CA 94123

Email: steve@baselinev.com
Fax: (415) 651-8978

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

CREDIT SUISSE NEXT INVESTORS, LLC

By: CREDIT SUISSE ASSET MANAGEMENT, LLC, its investment advisor

By: /s/ Alan Freudenstein
Name: Alan Freudenstein
Title: Portfolio Manager, NEXTInvestors

Address:

Madison Ave. – 11TH floor - X19H
New York, NY 10010
alan.freudenstein@credit-suisse.com
212-325-5490

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

DCM VI, L.P.

By: DCM Investment Management VI, L.P., its General Partners

By: DCM International VI, Ltd. its General Partner

By: /s/ Matthew C. Bonner
Name: Matthew C. Bonner
Title: Partner and Authorized Signatory

Address:

2420 Sand Hill Road, Suite 200
Menlo Park, CA 94025

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

DCM Ventures China Turbo Fund, L.P.
DCM Ventures China Turbo Affiliates Fund, L.P.

By: DCM Turbo Fund Investment Management, L.P
its General Partner

By: DCM Turbo Fund International, Ltd.
its General Partner

By: /s/ Matthew C. Bonner
Matthew C. Bonner, an authorized signatory

Address:

2420 Sand Hill Road, Suite 200
Menlo Park, CA 94025

Fax:

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

DCM Opportunity Fund, L.P.

By: DCM Opportunity Fund Investment Management, L.P.
its General Partner

By: DCM Opportunity Fund International, Ltd.
its General Partner

By: /s/ Matthew C. Bonner
Matthew C. Bonner, an authorized signatory

Address:

2420 Sand Hill Road, Suite 200
Menlo Park, CA 94025

Fax:

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

DCM Opportunity Fund A, L.P.

By: DCM Opportunity Fund Investment Management, L.P.
its General Partner

By: DCM Opportunity Fund International, Ltd.
its General Partner

By: /s/ Matthew C. Bonner
Matthew C. Bonner, an authorized signatory

Address:

2420 Sand Hill Road, Suite 200
Menlo Park, CA 94025

Fax:

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

GRAIL SOFI LLC

By: GRAIL PARTNERS LLC
ITS: MANAGING PARTNER

By: /s/ Donald Putnam
Name: Donald Putnam
Title: Managing Partner

Address:

423 Washington St, 2nd Floor
San Francisco, CA, USA 94111

Email:
Fax:

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

HARTFORD CAPITAL APPRECIATION HLS FUND

By: Wellington Management Company LLP, as investment adviser

By: /s/ Steven M. Hoffman
Name: Steven M. Hoffman
Title: Managing Director and Counsel

For notices:

Hartford Capital Appreciation HLS Fund
c/o Wellington Management Company LLP
Attention: Legal and Compliance Department
280 Congress Street
Boston, Massachusetts 02210
Facsimile Number: 617-289-5699
Email address: seclaw@wellington.com

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

THE HARTFORD CAPITAL APPRECIATION FUND

By: Wellington Management Company LLP, as investment adviser

By: /s/ Steven M. Hoffman
Name: Steven M. Hoffman
Title: Managing Director and Counsel

For notices:

Hartford Capital Appreciation HLS Fund
c/o Wellington Management Company LLP
Attention: Legal and Compliance Department
280 Congress Street
Boston, Massachusetts 02210
Facsimile Number: 617-289-5699
Email address: seclaw@wellington.com

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

INSTITUTIONAL VENTURE PARTNERS XIV, L.P.

By: Institutional Venture Management XIV LLC
Its: General Partner

By: /s/ J. Sanford Miller
Name: J. Sanford Miller
Title: Managing Director

Address: 3000 Sand Hill Road
Building 2, Suite 250
Menlo Park, CA 94025

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE INVESTORS:

OAK PACIFIC HOLDINGS

By: /s/ Joseph Chen
Joseph Chen
Chairman and CEO

Address:

5/F, North Wing
18 Jiuxianqiao Middle Road
Chaoyang District
Beijing, China 100016

Fax:

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

PINE RIVER MASTER FUND LTD.

By: **Pine River Capital Management L.P.**
Its: **Investment Manager**

By: /s/ Jeff Stolt
Name: Jeff Stolt
Title: Chief Financial Officer

Address: Pine River Capital Management L.P.
601 Carlson Parkway, Suite 330
Minnetonka, MN 55305

Email: legal@prcm.com

Fax: (612) 238-3301

PINE RIVER FIXED INCOME MASTER FUND LTD.

By: **Pine River Capital Management L.P.**
Its: **Investment Manager**

By: /s/ Jeff Stolt
Name: Jeff Stolt
Title: Chief Financial Officer

Address: Pine River Capital Management L.P.
601 Carlson Parkway, Suite 330
Minnetonka, MN 55305

Email: legal@prcm.com

Fax: (612) 238-3301

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

PINE RIVER SPECIAL OPPORTUNITIES OPERATING MASTER FUND LLC

By: **Pine River Capital Management L.P.**
Its: **Manager**

By: /s/ Jeff Stolt
Name: Jeff Stolt
Title: Chief Financial Officer

Address: Pine River Capital Management L.P.
601 Carlson Parkway, Suite 330
Minnetonka, MN 55305

Email: legal@prcm.com

Fax: (612) 238-3301

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

RENREN, INC.

By: /s/ Joseph Chen
Joseph Chen
Chairman and CEO

Address:

5/F, North Wing
18 Jiuxianqiao Middle Road
Chaoyang District
Beijing, China 100016
Fax:

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

RPM VENTURES II SOFI SECOND, LLC.

By: /s/ Marc Weiser
Name: Marc Weiser
Title: Managing Member

Address: 320 N. Main St., Suite 400
Ann Arbor, MI 48105

Fax:
Email: marc@rpmvc.com

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THE PURCHASERS:

THIRD POINT LOAN LLC
as nominee for funds managed and/or
advised by Third Point LLC

By: Third Point LLC, its Member

By: /s/ Josh Targoff
Name: Josh Targoff
Title: Chief Operating Officer and
General Counsel

Address:

Third Point LLC
390 Park Avenue 19th Floor
New York, NY 10022
Attn: Josh Targoff, Chief Operating Officer
and General Counsel
Fax: 212.318.3806
Email: JTargoff@ThirdPoint.com

With copy to:
operations@thirdpoint.com

Third Point Loan LLC through its attorney-in-fact, Third Point LLC, executes this signature page as nominee for funds managed and/or advised by Third Point LLC and not in its individual capacity. All information and representations and warranties of Third Point Loan LLC herein are provided by and with respect to the beneficial owner(s). All obligations are from and to the beneficial owner(s) and not the nominee. Third Point Loan LLC through its attorney-in-fact, Third Point LLC, is executing as an authorized signatory on behalf of the beneficial owner(s).

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

The parties have executed this Series F Preferred Stock Purchase Agreement as the date first set forth above.

THIRDSTREAM PARTNERS LLC

By: /s/ Blake Grossman
Managing Member

Address:

2 Embarcadero Center, Ste 2150
San Francisco, CA 94111

SIGNATURE PAGE TO THE SERIES F PREFERRED STOCK PURCHASE AGREEMENT OF SOCIAL FINANCE, INC.

EXHIBITS

Exhibit A -	Schedule of Purchasers
Exhibit B -	Form of Restated Certificate
Exhibit C -	Form of Investors' Rights Agreement
Exhibit D -	Form of Right of First Refusal and Co-Sale Agreement
Exhibit E -	Form of Voting Agreement
Exhibit F-1 -	Form of Legal Opinion of Orrick, Herrington & Sutcliffe LLP
Exhibit F-2 -	Form of Legal Opinion of Orrick, Herrington & Sutcliffe LLP
Exhibit G -	Form of Tender Offer Documentation
Exhibit H -	Form of Convertible Promissory Note
Exhibit I -	States Requiring Notice or Prior Approval

Exhibit 4.38

Framework Agreement
on Transfer of Game Business by Renren Inc.

---

between

Renren Inc.,
Link 224 Inc.,
RENREN GAME HONGKONG LIMITED

And

Shanghai Renren Games Technology Development Co., Ltd
RenRen Hu Yu (Hong Kong) Ltd.
Tianjin Haichuan Huyu Management Partnership (LP)

And

He Chuan

January 5, 2016

Beijing, China

Table of Contents

Article I Definition and Interpretation	2
Article II Arrangement for this Transfer	4
Article III Special Provisions	6
Article IV Confidentiality	7
Article V Default Liabilities	7
Article VI Applicable Law and Dispute Resolution	8
Article VII Effectiveness and Termination of Agreement	8
Article VIII Miscellaneous	8

Framework Agreement
on Transfer of Game Business by Renren Inc.

This Framework Agreement on Transfer of Game Business by Renren Inc. (the "Agreement") is made and entered into by and among the following parties as of January 5, 2016 in Beijing, the People's Republic of China:

1. Renren Inc., an exempted company established under the laws of the Cayman Islands, with registered address at Po Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

2. Link 224 Inc., an exempted company established under the laws of the Cayman Islands, with registered address at Po Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

3. RENREN GAME HONGKONG LIMITED ("Hong Kong Renren"), a limited company incorporated and existing under the laws of Hong Kong, with registered address at Room 905A 9/F Block A, Sea View Estate, 2 Watson Road North Point, HK.

4. Shanghai Renren Games Technology Development Co., Ltd ("Shanghai Renren"), a limited company incorporated and existing under the laws of the People's Republic of China, with registration number of 310113001007496, and address at Suite 257i, No. 668 Shangda Road, Baoshan District, Shanghai, legal representative: He Chuan

5. He Chuan, a Chinese citizen, with ID card number *****, with address at *****, holds 70% equity interest in Shanghai Renren.

6. RenRen Hu Yu (Hong Kong) Ltd. ("RenrRen Hu Yu"), a limited company incorporated and existing under the laws of Hong Kong, with registered address at RM 1501 (484) 15/F SPA CTR, 53-55 Lockhart Rd, Wanchai, Hong Kong.

7. Tianjin Haichuan Huyu Management Partnership (LP) ("Haichuan Huyu"), a partnership lawfully established and existing under the laws of the People's Republic of China, with registered address at Suite 211, 2/F., No. 9 block, Shengtai Jianshe Building, Zhongcheng Ave West and Zhongbin Ave South., SSTEC, Binhai New District, Tianjin.

(The abovementioned parties are hereinafter referred to collectively as "the Parties" and each as a "Party")

Whereas,

1. Renren Inc. has adopted board resolutions to approve the transfer of the following to Shanghai Renren: its equity interest in Renren Game Network Tech. Development (Shanghai) Co., Ltd. ("Renren Network"), the related intangible assets such as rights to the trademarks set out in Annex I, its equity interest in and the related assets of Funall Technology Inc. (Cayman Islands), its subsidiaries, namely Taiwan Lewo Tech. Development Co., Ltd. and Japan-based Renren Game Japan, Inc. (the "Other Game Business and Assets").

2. The Parties have agreed on the procedures and timetable of the abovementioned transaction.

NOW THEREFORE, in accordance with the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China and other relevant laws and regulations and through amicable consultation, in respect of the abovementioned transaction the Parties hereby agree as follows:

Article I Definition and Interpretation

The terms used in this Agreement are defined as follows:

This Agreement	This Framework Agreement on Transfer of Game Business by Renren Inc.
Hong Kong Renren	RENREN GAME HONGKONG LIMITED
Shanghai Renren	Shanghai Renren Games Technology Development Co., Ltd
Renren Network	Renren Game Network Tech. Development (Shanghai) Co., Ltd.
RenRen Hu Yu	RenRen Hu Yu (Hong Kong) Ltd.
Haichuan Huyu	Tianjin Haichuan Huyu Management Partnership (LP)
Other Game Business and Assets	The equity interest in and the related assets of Funall Technology Inc. (Cayman Islands), its subsidiary Taiwan Lewo Tech. Development Co., Ltd. and Japan-based Renren Game Japan, Inc.
Investors	The debt or equity investors introduced by Shanghai Renren in order to perform its payment obligations under this Agreement

Capital Increase Agreement	Agreement on Capital Increase in hanghai RenRen Games Technology Development Co.,Ltd
This Transfer	The transaction mentioned in the first paragraph of the Whereas clause.
Business Day	Any day other than Saturdays, Sundays and the statutory holidays in China
Day	Any calendar day. Unless otherwise specified in this Agreement, a Day referred to in this Agreement shall be a calendar day.
Force Majeure	Any event (i) that is unforeseeable by and beyond the control of the Parties, or foreseeable but inevitable; (ii) that occurs after the execution date of this Agreement; and (iii) that prevents any Party from performing this Agreement in whole or in part. Force Majeure events include, without limitation, act of public enemies, fire without the negligence or malpractice of a Party, flood, earthquake, typhoon or any other natural disaster, epidemic, or war.
Yuan	Unless otherwise expressly provided, the amounts referred to in this agreement are denominated in RMB Yuan.
PRC	The People's Republic of China. For the purpose of this Agreement, it does not include Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan.
PRC Laws	Laws, administrative regulations and regulating documents that are officially promulgated by the PRC authorities and publicly available in the PRC. For the purpose of this Agreement, this term does not include the laws, regulations or regulating documents of Hong Kong Special Administrative Region, Macao Special Administrative Region or Taiwan.

Article II Arrangement for this Transfer

2.1 Plan of Transfer

It is mutually confirmed by the Parties that the transfer of the equity interest in Renren Network, the rights to the trademark and related intangible assets set out in Annex I, and the Other Game Business and Assets is to be carried out in accordance with the following plan:

(1) RenRen Hu Yu is to make offshore acquisition of the Other Game Business and Assets at the price of USD7.5 million.

(2) Liu Jian is to transfer the 30% equity interest in Shanghai Renren held by him to Haichuan Huyu at a price of RMB3 million; and in the meantime, Haichuan Huyu, Shanghai Renren and Renren Network are to enter into VIE agreements.

(3) After the completion of the equity interest transfer mentioned in the above paragraph (2) of Article 2.1, the Investors are to invest RMB120 million in Shanghai Renren in the form of capital increase (the final amount is subject to the Capital Increase Agreement to be entered into between Shanghai Renren and the Investors). The Parties agree that all the VIE agreements between Renren Network, Shanghai Renren and any related parties are to be rescinded on the day when the Investors pay their contribution in full amounts to Shanghai Renren in accordance with the Capital Increase Agreement.

(4) Shanghai Renren is to acquire 100% equity interest of Renren Network held by Hong Kong Renren at the price of USD10 million, and to pay Hong Kong Renren the transfer price for the equity interest of Renren Network in two installments. The Parties agree that, from the date that Shanghai Renren pays the first installment of the equity interest transfer price, Shanghai Renren starts to have shareholder's rights and obligations as to Renren Network.

(5) Beijing Qianxiang Oaks Wangjing Internet Technology Development Co., Ltd. and Shanghai Qianxiang Changda Information Technology Development Co., Ltd. (collectively "Wangjing and Changda") are to transfer to Shanghai Renren the rights to the trademarks set out in Annex I, and before the completion of the business registration of the transfer, Wangjing and Changda are to authorize Shanghai Renren to exclusively use such trademarks for free. Shanghai Renren voluntarily and irrevocably warrants that upon the expiration of five years from the date on which application for the transfer of the trademarks set out in Annex I is lodged with the trademark administrative authority, Shanghai Renren will unconditionally waive all the rights pertaining to the trademarks containing the characters of "人人", and will not, in any form, use or license others to use any trademark containing the characters of "人人"。

(6) After obtaining the transfer price for the 30% equity interest in Shanghai Renren, Liu Jian shall repay the debt of RMB3 million that he owes to Renren Network. The debt of RMB7 million owed by He Chuan to Renren Network will remain on the account of Renren Network for the time being.

2.2 Transaction Procedure

(1) Renren Inc., Link 224 Inc., Hong Kong Renren, Shanghai Renren, RenRen Hu Yu, Haichuan Huyu and He Chuan are to enter into this Agreement.

(2) RenRen Hu Yu is to pay Link 224 Inc. or its affiliates the transfer price for the Other Game Business and Assets.

(3) Wangjing and Changda and Shanghai Renren are to enter into agreements for the exclusive licensing of the trademark rights set out in Annex I and for transfer of trademark rights, and to handle the formalities for change of business registration for the transfer of the trademark as stipulated in such agreements.

(4) Shanghai Renren and Hong Kong Renren are to enter into an agreement for the transfer of the 100% equity interest of Renren Network, and the shareholders of Renren Network shall make decision on approving Shanghai Renren to acquire the 100% equity interest of Renren Network.

(5) Liu Jian and Haichuan Huyu are to enter into an agreement for the transfer of 30% equity interest of Shanghai Renren, and Shanghai Renren shall assemble a general meeting to pass the resolutions on approving Liu Jian to transfer the 30% equity interest of Shanghai Renren held by him to Haichuan Huyu at the price of RMB3 million. After obtaining the payment for the transfer, Liu Jian shall immediately pay the debt of RMB3 million he owes to Renren Network. Meanwhile, Haichuan Huyu, Shanghai Renren and Renren Network are to enter into VIE agreements.

(6) After the completion of the transaction provided under paragraph (4) of Article 2.2 hereof, the Investors, Shanghai Renren, Hechuan are to enter into the Capital Increase Agreement, and:
(i) The Investors shall pay Shanghai Renren the deposit in a sufficient amount as stipulated in the Capital Increase Agreement;
(ii) The Investors shall issue a letter of undertaking in relation to the investment to Shanghai Renren.

(7) After the completion of the transaction provided under paragraph (6) of Article 2.2 hereof, Shanghai Renren is to handle the formalities for the change in business registration for the equity interest transfer set forth in paragraph (5) of Article 2.2 hereof.

(8) Within three (3) Business Days of the completion of the transaction provided under paragraph (6) of Article 2.2 hereof, Renren Network is to make application to the competent commerce authority for examining of the change in equity interest and the conversion from a foreign-funded enterprise to a domestic-funded enterprise.

(9) Within five (5) Business Days of the date when Shanghai Renren completes the formalities for change in business registration for the equity interest transfer and Renren Network obtains the official approval from the competent authorities in respect of the change in equity interest, Shanghai Renren shall assemble a general meeting and adopt resolutions approving that the Investors are to make investment in Shanghai Renren for Capital Increase, that the Investors are to pay the capital contribution in full amount to Shanghai Renren in accordance with the Capital Increase Agreement; and that Renren Network and Shanghai Renren and the related parties are to rescind all the VIE agreements they have entered into.

(10) After the completion of what is provided under paragraph (9) of Article 2.2 hereof, Shanghai Renren is to pay Hong Kong Renren 90% of the total transfer price for the transfer of equity interest of Renren Network; Shanghai Renren is to handle formalities for the change in business registration for the Capital Increase. The Parties agree that after Shanghai Renren pays the abovementioned equity transfer price, Shanghai Renren will start to have the shareholder's rights and obligations as to Renren Network.

(11) Within three (3) Business Days of the completion of what is provided under paragraph (10) of Article 2.2 hereof, Renren Network shall apply to the competent Administration for Industry and Commerce for the change in business registration for the equity interest transfer, and after the completion of the change in business registration, Renren Network shall initiate the tax settlement for the conversion from a foreign-funded enterprise to a domestic-funded enterprise as soon as possible.

(12) Within five (5) Business Days of the expiration of three (3) months from the completion of the formalities for the change in business registration for the equity interest transfer by Renren Network, or within Five (5) Business Days of the completion of the tax settlement for the conversion from foreign-funded enterprise to domestic-funded enterprise by Renren Network (whichever is earlier), Shanghai Renren is to pay the balance of the equity transfer price of Renren Network to Hong Kong Renren.

Article III Special Provisions

3.1 Transaction Documents

It is mutually confirmed by the Parties that they will execute the relevant shareholders' resolutions, equity interest transfer agreement or asset transfer agreement, and the amendment to Articles of Association, etc., with respect to the transfer of the game business by Renren Inc.

3.2 Transfer Price of Equity Interest in Renren Network

It is mutually confirmed by the Parties that if, prior to the tax settlement set forth in paragraph (11) of Article 2.2 hereof being completed, Renren Network is required to pay any fines or late charges due to the irregularities or illegal actions in its business operation, or if there is any taxes, late charges or penalties due as a result of the tax settlement for the conversion of Renren Network from a wholly foreign-owned enterprise to a domestic-owned enterprise that shall be paid by Renren Network before the completion of the tax settlement set forth in paragraph (11) of Article 2.2 hereof, Shanghai Renren may deduct the amount of such taxes, late charges and penalties from the equity transfer price payable to Renren Network. If the balance of the transfer price fails to cover such amount, Renren Inc., Link224 Inc., Hong Kong Renren and other affiliates shall be liable jointly and severally for payment of the abovementioned taxes, late charges and penalties.

3.3 Warranty on Cooperation in The Transaction

Renren Inc., Link 224 Inc. and Hong Kong Renren warrant that Renren Inc., Link 224 Inc. and Hong Kong Renren and their affiliates will use their best efforts to cooperate during this Transaction, including but not limited to, cooperating in handling the relevant formalities for seeking examination and approval from the competent business authorities, change of business registration, tax settlement, etc.

Article IV Confidentiality

4.1 The terms and conditions of this Agreement, including but not limited to the existence of them, are confidential information; any Party hereto may not disclose any information related to this Agreement to any other person, entity or company, unless otherwise required by the applicable laws or regulations of the competent stock exchanges or regulatory authorities.

If any Party is required to disclose any information in relation to this Agreement, the Party shall, before making such disclosure, consult with the other Parties with respect to the timing, content and means of making such disclosure, and shall, to the extent possible, maintain certain parts of contents in confidence per other Parties' reasonable request.

Article V Default Liabilities

5.1 The Parties shall perform this Agreement in good faith. If any Party (defaulting party) fails to perform any of its obligations hereunder, or makes any fraudulent representation, warranty or covenant, such Party is deemed to have breached this Agreement. If the defaulting party causes any loss to any non-defaulting party, the non-defaulting party is entitled to claim compensation from the defaulting party.

5.2 The default liabilities of any Party under this Agreement will not be discharged as a result of the termination of this Agreement.

5.3 It is mutually agreed by the Parties that if one or more items of the procedure stipulated in Article 2.2 hereof is completed earlier than originally scheduled, the case will not be deemed a breach of this Agreement, and the Parties shall perform their respective obligations in the sequence as provided in the procedure. If any Party fails to perform its obligations to complete any procedure that is scheduled earlier in the sequence than what has been completed ahead of schedule and should have been completed as originally scheduled, the other Parties may require the failing party to bear default liabilities and to return what has been completed ahead of schedule to the status quo.

Article VI Governing Law and Dispute Resolution

6.1 Governing law: the laws of the PRC.

6.2 It is agreed by the Parties that any dispute arising from this Agreement must be resolved through amicable negotiation first. If the Parties fail to reach an agreement, any Party is entitled to submit the dispute to the Beijing Arbitration Commission. And the place of arbitration shall be Beijing. The arbitration shall be carried out in accordance with the arbitration rules of the arbitration commission in force at the time of filing the case with the Commission. The award of arbitration shall be final and binding upon the Parties.

Article VII Effectiveness and Termination of Agreement

7.1 This Agreement becomes effective upon the date of execution by the Parties.

7.2 This Agreement may be terminated upon the written consent of each Party.

7.3 Article IV (Confidentiality) and Article V (Default Liabilities), Article VI (Applicable Law and Dispute Resolution) of this Agreement shall remain in full force and effect after the termination of this Agreement.

Article VIII Miscellaneous

8.1 The headlines contained in this Agreement are for convenience of reference purposes only, and shall not affect in any way the interpretation of this Agreement.

8.2 In the event of a Force Majeure event, any Party affected by the event shall suspend the performance of its obligations under this Agreement within the scope and for the period of the effect of such event, and the time for performance of such obligations shall be extended automatically for an equal period to that of the suspension of performance. The Party claims Force Majeure shall duly notify other Parties through facsimile and shall, within seven (7) days of sending such facsimile, send a its confirmation to them via registered mail, and provide proper evidence to prove the occurrence and lasting period of the adverse effect of such Force Majeure event. The Party claims Force Majeure shall make all reasonable efforts to reduce or avoid the effect of such Force Majeure event on its obligations this Agreement.

If a Force Majeure event occurs, the Parties shall negotiate on a fair resolution and make all possible and reasonable efforts to alleviate the effect of such Force Majeure event. The operating risk resulting from the Force Majeure event are to be borne by all the shareholders; if any Force Majeure event defeats the purpose of this Agreement or renders the terms under this Agreement impossible to perform, the Parties shall settle such case through amicable negotiation.

8.3 If any provisions of this Agreement becomes invalid in accordance with any laws, regulations or governmental orders, all other provisions of this Agreement shall remain in full force and effect. Upon such determination that any provisions is invalid, the Parties shall perform this Agreement based on the general principle of this Agreement, and modify this Agreement so as to effect the original intent of the Parties upon their execution of this Agreement as closely as possible .

8.4 The Parties shall, or if necessary, procure any other companies or individuals to take all reasonable actions, guarantee or take any other measures, in order to cause all the terms and conditions under this Agreement to take effect and be performed.

8.5 The full, punctual and bona fide performance by the Parties of their respective obligations provided under this Agreement is of great importance for the fulfillment of this Agreement.

8.6 The failure of any Party to enforce any rights under this Agreement shall be deemed to be a waiver of any other rights hereunder, nor shall it be deemed that the Party has permanently waived such rights (unless such rights shall not be enforced once waived according to the PRC laws). No failure or delay by any Party in exercising any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right.

8.7 This Agreement is executed and delivered in seven counterparts, one counterpart for each party. Each of the counterparts shall have the same legal effect.

(The remainder of this page is intentionally left blank)

(This page is intentionally left blank as signature page to this Framework Agreement on Transfer of Game Business by Renren Inc.)

Renren Inc. (Company Seal)

Authorized Representative (Signature):
/s/ Joseph Chen

(This page is intentionally left blank as signature page to this Framework Agreement
on Transfer of Game Business by Renren Inc.)

Link 224 Inc. (Company Seal)

Authorized Representative (Signature):
/s/ Joseph Chen

(This page is intentionally left blank as signature page to this Framework Agreement on Transfer of Game Business by Renren Inc.)

RENREN GAME HONGKONG LIMITED (Company Seal)
/seal/ RENREN GAME HONGKONG LIMITED

Authorized Representative (Signature):
/s/ James Jian Liu

(This page is intentionally left blank as signature page to this Framework Agreement on Transfer of Game Business by Renren Inc.)

Shanghai Renren Games Technology Development Co., Ltd (Company Seal)
/seal/ Shanghai Renren Games Technology Development Co., Ltd

Legal Representative or Authorized Representative (Signature):
/s/ He Chuan

(This page is intentionally left blank as signature page to this Framework Agreement
on Transfer of Game Business by Renren Inc.)

RenRen Hu Yu (Hong Kong) Limited
/seal/ RenRen Hu Yu (Hong Kong) Limited

Authorized Representative (Signature):
/s/ He Chuan

(This page is intentionally left blank as signature page to this Framework Agreement
on Transfer of Game Business by Renren Inc.)

Tianjin Haichuan Huyu Management Partnership (LP) (Company Seal)
/seal/ Tianjin Haichuan Huyu Management Partnership (LP)

Executive Partner or Authorized Representative (Signature):
/s/ He Chuan

(This page is intentionally left blank as signature page to this Framework Agreement on Transfer of Game Business by Renren Inc.)

He Chuan (Signature):
/s/ He Chuan

EXHIBIT 8.1

Subsidiaries of the Registrant

	Place of Incorporation
Subsidiaries:	
CIAC/ChinaInterActiveCorp	Cayman Islands
Qianxiang Shiji Technology Development (Beijing) Co., Ltd.	PRC
Link224 Inc.	Cayman Islands
Renren Game USA Inc.	USA
Renren Game Hong Kong Limited	Hong Kong
Juyou Hudong (Beijing) Technology Development Co., Ltd.	PRC
Renren Lianhe Holdings	Cayman Islands
Renren Study Inc.	Cayman Islands
Renren Wealth Inc.	Cayman Islands
Jingwei Inc. Limited	Cayman Islands
Jupiter Way Ltd.	Hong Kong
Beijing Jingwei Sinan Information Technology Co., Ltd.	PRC
Wole Inc.	Cayman Islands
Beijing Woxiu Information Technology Development Co., Ltd.	PRC
JiehunChina Inc.	Cayman Islands
Happy Link Corp. Ltd.	Hong Kong
Beijing Jiexun Shiji Technology Development Co., Ltd.	PRC
Renren Giant Way Ltd.	Hong Kong
Appsurdity Inc.	USA
Renren Huijin (Tianjin) Technology Co., Ltd.	PRC
Variable Interest Entities:	
Beijing Qianxiang Tiancheng Technology Development Co., Ltd.	PRC
Jiexun Pinghe (Beijing) Technology Development Co., Ltd.	PRC
Beijing Renren Jinfu Investment Management Co., Ltd.	PRC
Guangzhou Xiuxuan Performance Agency Co., Ltd.	PRC
Subsidiaries of Variable Interest Entities:	
Beijing Qianxiang Wangjing Technology Development Co., Ltd.	PRC
Shanghai Qianxiang Changda Internet Information Technology Development Co., Ltd.	PRC
Beijing Wole Shijie Information Technology Co., Ltd	PRC
Shanghai Wangjing Commercial Factoring Co., Ltd.	PRC
Beijing Kilin Wings Technology Development Co., Ltd.	PRC
Beijing Jingwei Zhihui Information Technology Co., Ltd.	PRC
Shanghai Wangjing Investment Management Co., Ltd.	PRC
Fenqi Winday Co., Ltd.	Hong Kong
Renren Finance, Inc.	Cayman Islands
Beijing Zhenzhong Hudong Information Technology Co., Ltd.	PRC

EXHIBIT 12.1

Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph Chen, certify that:

1. I have reviewed this annual report on Form 20-F of Renren Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 16, 2016
By: /s/ Joseph Chen
Name: Joseph Chen
Title: Chief Executive Officer

EXHIBIT 12.2

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thomas Jintao Ren, certify that:

1. I have reviewed this annual report on Form 20-F of Renren Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 16, 2016
By: /s/ Thomas Jintao Ren
Name: Thomas Jintao Ren
Title: Chief Financial Officer

EXHIBIT 13.1

Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Renren Inc. (the "Company") on Form 20-F for the fiscal year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Chen, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2016
By: /s/ Joseph Chen
Name: Joseph Chen
Title: Chief Executive Officer

EXHIBIT 13.2

Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Renren Inc. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas Jintao Ren, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2016
By: /s/ Thomas Jintao Ren
Name: Thomas Jintao Ren
Title: Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-177366 on Form S-8 and Registration Statement No. 333-209734 on Form S-8 of our reports dated May 16, 2016 relating to the consolidated financial statements and financial statement schedule of Renren Inc., its subsidiaries, its variable interest entities and the subsidiaries of its variable interest entities (collectively, the "Group"), and relating to the effectiveness of the Group's internal control over financial reporting (which report expresses an adverse opinion on the effectiveness of the Group's internal control over financial reporting because of material weaknesses), appearing in this Annual Report on Form 20-F of Renren Inc. for the year ended December 31, 2015.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
May 16, 2016

Exhibit 15.2

TransAsia Lawyers

Advisors on PRC & International Law

權 亞 律 師 事 務 所

Suite 2218, China World Office 1, 1 Jianguomenwai Avenue, Beijing 100004, China

中國北京市建國門外大街一號國貿寫字樓一座2218室，郵政編碼100004

Tel: (86 10) 6505 8188 Fax: (86 10) 6505 8189/98

Website: www.TransAsiaLawyers.com

May 13, 2016

Renren Inc.
5/F, North Wing
18 Jiuxianqiao Middle Road
Chaoyang District, Beijing 100016
People's Republic of China

Ladies and Gentlemen,

We consent to the reference to our firm under the captions of "Item 3.D—Risk Factors", "Item 4.B—Business Overview—Regulation" and "Item 10.E—Taxation" in Renren Inc.'s Annual Report on Form 20-F for the year ended December 31, 2015, which will be filed with the Securities and Exchange Commission in the month of May 2016, and further consent to the incorporation by reference of the summaries of our opinions under these captions into Renren Inc.'s registration statements on Form S-8 (File No. 333-177366 and File No. 333-209734) that was filed on October 18, 2012 and February 26, 2016, respectively.

Yours faithfully,

/s/ TransAsia Lawyers

TransAsia Lawyers

Exhibit 15.3

Our ref SHF/667469-000001/9504516v1
Direct tel +852 2971 3006
E-mail derrick.kan@maplesandcalder.com

Renren Inc.
5/F, North Wing
18 Jiuxianqiao Middle Road
Chaoyang District, Beijing 100016
People's Republic of China

13 May 2016

Dear Sir

Re: Renren Inc.

We have acted as legal advisors as to the laws of the Cayman Islands to Renren Inc., an exempted limited liability company incorporated in the Cayman Islands (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission of an annual report on Form 20-F for the year ended 31 December 2015.

We hereby consent to the reference of our name under the heading "Item 10E Taxation" in the Form 20-F and further consent to the incorporation by reference of the summary of our opinion under this heading into the Company's registration statements on Form S-8 (File No. 333-177366 and File No. 333-209734) that was filed on 18 October 2012 and 26 February 2016, respectively.

Yours faithfully

/s/ Maples and Calder
Maples and Calder

EXHIBIT 15.4

CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in Registration Statement No. 333-177366 on Form S-8 and Registration Statement No. 333-209734 on Form S-8 of our reports dated March 27, 2015 and March 26, 2014 relating to the financial statements of Japan Macro Opportunities Offshore Partners, L.P. and Japan Macro Opportunities Master Fund, L.P. appearing in this Annual Report on Form 20-F of Renren Inc. for the year ended December 31, 2015.

/s/ Deloitte & Touche

Cayman Islands
May 12, 2016