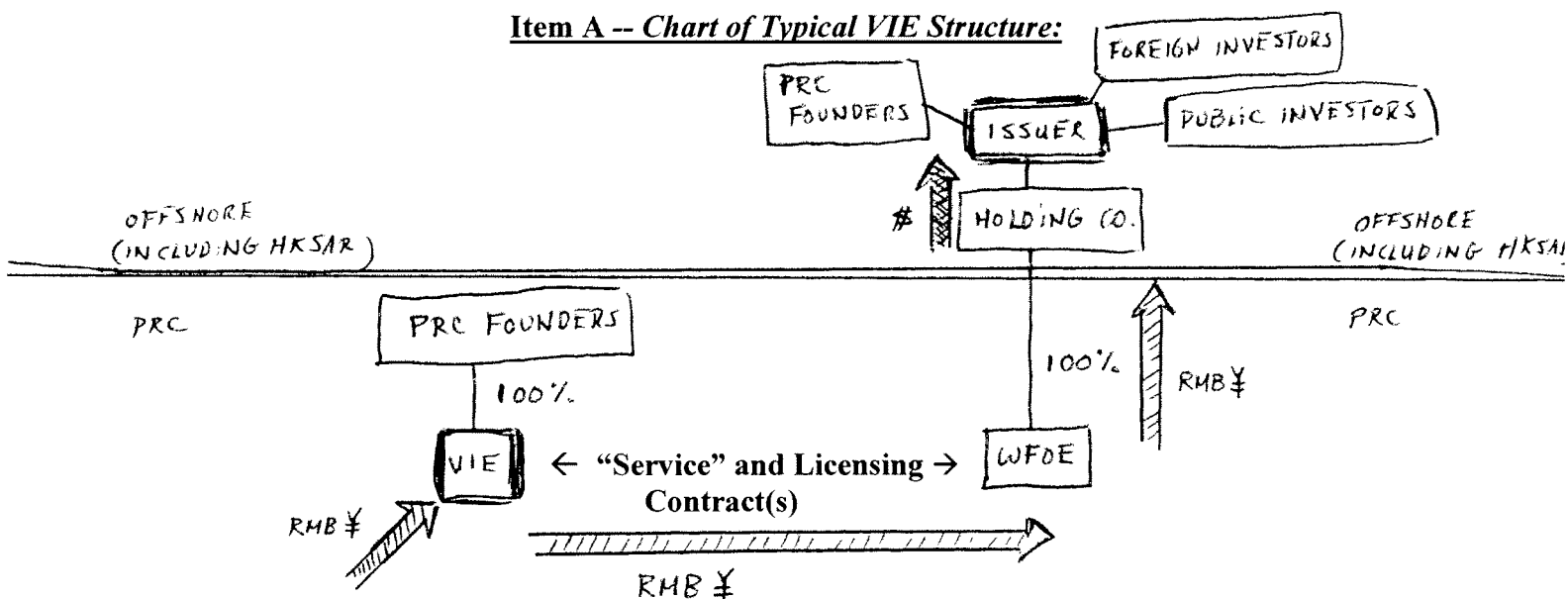


NICHOLAS HOWSON "DANGEROUS LIASONS, ETC."  
HANDOUT

**Item A -- Chart of Typical VIE Structure:**



**Item B -- China Unicom (2001) Disclosure re: Termination of "CCF" Structures:**

**History and Development of the Company**

**China - China - Foreign Arrangements of Unicom Group**

Following its formation, Unicom Group commenced cooperation with foreign companies to develop its nationwide cellular network. A financing structure widely known as China - China - foreign, or CCF, arrangements, was developed and used by Unicom Group and its foreign partners. Under a typical CCF structure, the foreign partner first established a joint venture with a Chinese enterprise. The joint venture then provided financing and technical support to a project of Unicom Group through a project cooperation contract. In return, the joint venture obtained the right to receive a percentage of the cash flow generated by the project for a fixed number of years. Altogether, Unicom Group adopted this CCF structure for more than 40 projects in a number of provinces and municipalities. In August 1999, the MII officially announced that the CCF structure had contravened existing Chinese government policies and regulations and required that all CCF cooperation contracts be rectified and terminated. All CCF contracts related to GSM cellular networks in our service areas have been terminated. As part of the termination of CCF contracts by Unicom Group, other parties to the CCF contracts received cash payments in an amount representing their original funding plus an agreed amount of compensation. In addition, we granted some of these parties or their designees warrants to purchase our shares. The aggregate number of shares issuable upon exercise of these warrants was approximately 313 million shares. The exercise period for all warrants terminated on June 22, 2001 and none was exercised prior to termination of the exercise period.

**Item C -- Current "Risk Factors" Example (Renren.com (April 2011)):**

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

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

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

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

- Revoke our business and operating licenses
- Require us to discontinue or restrict our operations
- Restrict our right to collect revenues
- Block our websites
- Require us to restructure our operations in such a way as to compel us to establish a new enterprise, reapply for the necessary licenses or relocate our business, staff and assets
- Impose additional requirements with which we may not be able to comply; or

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

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

[Omitted.]

***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.***

[Omitted.]

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

[Omitted.]

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

[Omitted.]

**Item D -- U.S. Law Firm Memoranda (March 2011, post-Buddha Steel debacle):**

... There is probably less here than meets the eye. VIE structures are commonly used by foreign investors in China to obtain a degree of control over, as well as a substantial economic interest in, operations which they are not permitted to own directly. They were first used in the internet sector by companies such as Sina.com, Baidu, Sohu, Netease, and others. Many of these companies are now among the crown jewels of Chinese industry. The use of the structures then spread to other restricted-industry sectors, such as advertising, tourism and education, and eventually into non-restricted sectors as well. No government approval was required to enter into the agreements used to set up these structures, and they did not appear to be prohibited by Chinese law. As time passed, industry players believed the PRC government was at least tacitly approving the use of appropriate VIE arrangements in China. ... That said, it remains a possibility—though we believe it is unlikely—that this is the first tremor of what would be an earth-shaking change in the PRC government's attitude toward VIE structures generally. If that is the case, it would certainly chill foreign investment in a number of industries, including many high technology sectors. Given China's ongoing efforts to drive its economy up the technology curve, and the need for capital in this process, it would seem self-defeating for Beijing to take this step. For that and other reasons, we do not think this is what is happening. China-watchers are called "watchers" because frequently the only way to know what rules will govern events in China is to watch. We will continue to closely monitor developments in this area and update this advisory as the situation develops.

**Item E -- U.S. Law Firm Memorandum (October 2011, recapping the Sina and Sohu IPOs):**

... Although the structure was not officially or publicly blessed by the PRC government, Sina and the other early Chinese Internet companies, including Sohu and Netease, were able to obtain enough unofficial comfort from the PRC Ministry of Information Industry ("MI") (now known as the Ministry of Industry and Information Technology, or "MIIT") that they were able to successfully complete their initial public offerings and stock exchange listings in the United States using the structure.... As more companies adopting the structure listed in the U.S. (and on the HKSE) without any noticeable PRC regulatory backlash, investors and other market participants gradually became more comfortable with the structure.

**Item F -- U.S. Securities Law Jurisprudence Cited re: 10b-5 Actions vs. Lawyers**

*Affiliated Ute Citizens of Utah v. U.S.*, 406 U.S. 128 (1972) (Blackmun); *Basic v. Levinson*, 485 U.S. 224 (1988) (Blackmun); *Central Bank of Denver v. First Interstate Bank of Denver*, 511 U.S. 164 (1994) (Kennedy); *Stoneridge Investment Partners, LLC v. Scientific-Atlanta, Inc.*, 552 U.S. 148 (2008) (Kennedy); *Pacific Inv. Management Co. LLC v. Mayer Brown*, 603 F.3d 144 (2<sup>nd</sup> Ct. 2010); and *Janus Capital Group, Inc., et al. v. First Derivative Traders*, \_\_\_ U.S. \_\_\_ (2011) (Thomas).