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CHINA INTERNET 101

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20 February 2013

China Internet 101 – Demographics and Emerging Trend

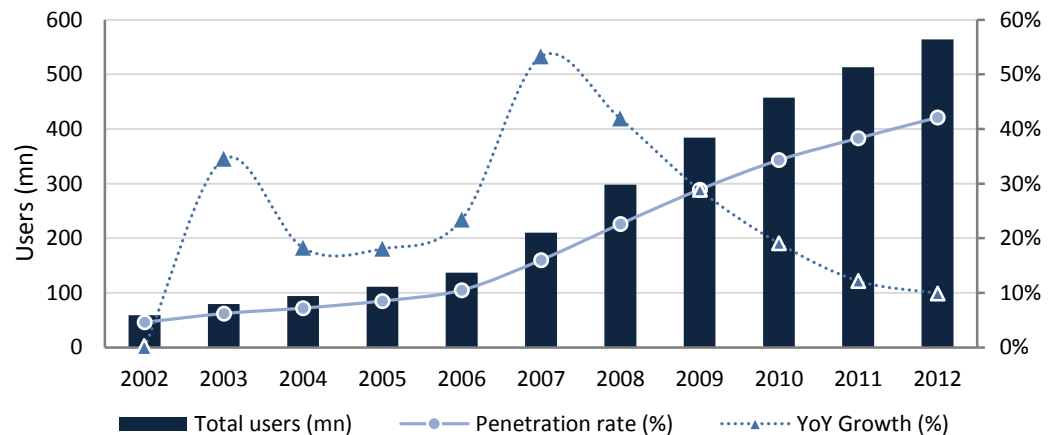
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CHINA INTERNET DEMOGRAPHICS

From 2002 to 2012, Internet users in China grew at a CAGR of 25.31% from 59.1 million users in 2002 to 564.0 million users in 2012. The strong growth is accompanied by the substantial increase in Internet penetration rate from 4.6% in 2002 to 42.1% in 2012. Within the Internet space, ecommerce and mobile commerce (m-commerce) are likely to show the strongest growth in 2013, increasing from the US\$203.8 billion market in 2012 at an estimated CAGR of 30.8% through 2016. In addition to ecommerce and m-commerce, social media, micro-blog (Weibo), and online travel are some other areas we believe will exhibit strong growth. Exhibit 1 highlights the Internet development in China over the past 10 years.

Exhibit 1 – China Internet users, penetration rates, and growth rates



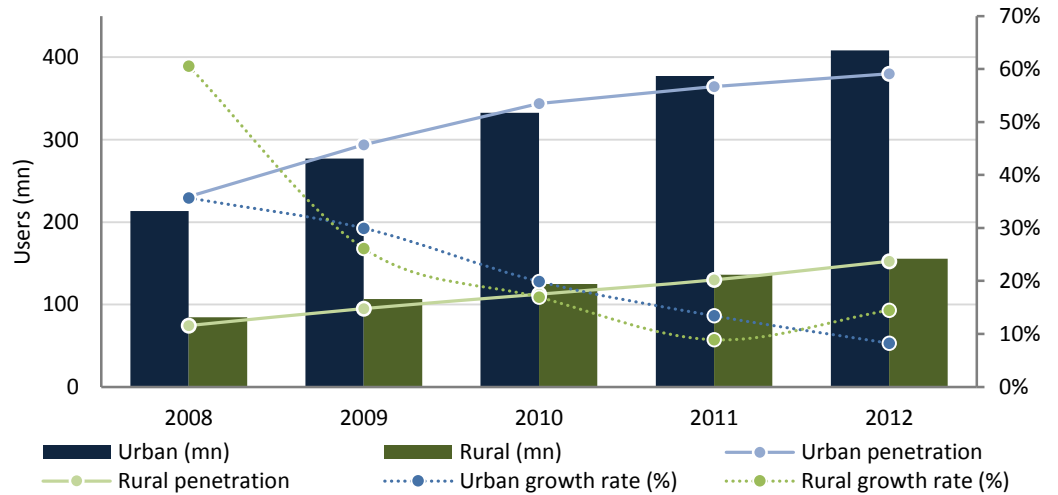
Source: China Internet Network Information Center (CNNIC) and BlackOre Research

In 2012, China saw an increase of 50.9 million new Internet users. Despite the substantial increase, the number has decreased from a high of 88.0 million new users for 2008. Of the 50.9 million new users, 31.2 million users came from urban areas and 19.7 million users came from rural areas.

Growth drivers

With government policy that focuses on urbanization and population migration, we expect urban users to continue to comprise the majority of Internet users, while rural areas experience higher growth rates. Dissecting Internet users by cities, tier-one cities and coastal cities have higher penetration rates and lower user growth rates compared to national averages. Beijing has the highest Internet penetration rate at 72.2%, but its 2011 to 2012 year-end Internet user growth rate compiled by China Internet Network Information Center (CNNIC) ranked 27 among the 32 cities/provinces. For inland cities and provinces with less development, Internet penetration rates are significantly lower than those of the national average, with Jiangxi Province having the lowest penetration rate of 28.5%.

Exhibit 2 – Internet users, penetration rate, and growth rate for urban and rural areas



Source: China Internet Network Information Center (CNNIC)

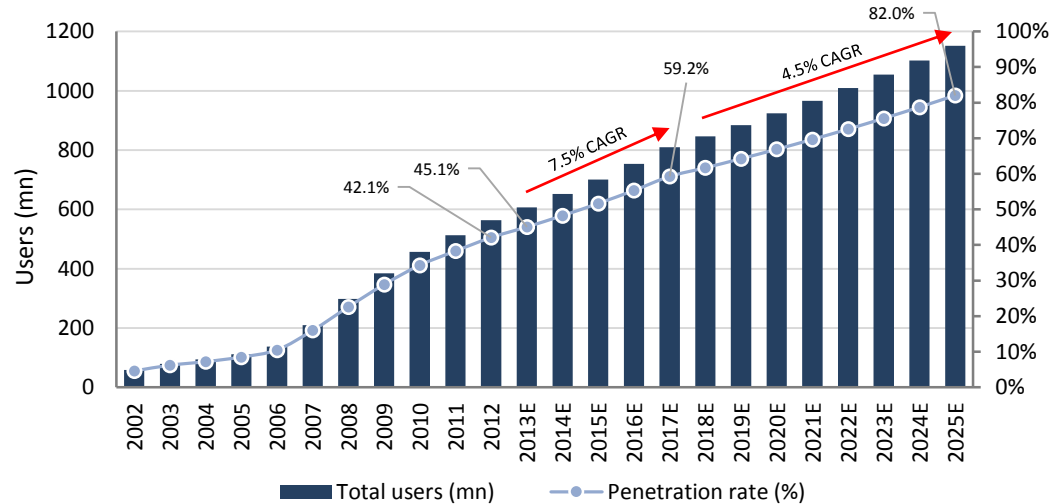
Exhibit 3 – 2011 to 2012 Internet users, penetration rate, and growth rate breakdown

	Number of users (mn)	Penetration rate (%)	2011 - 2012 growth rate (%)	Ranking penetration rate (%)	Growth rate (%)
Beijing	14.6	72.2%	5.8%	1	27
Shanghai	16.1	68.4%	5.3%	2	29
Guangdong	66.3	63.1%	5.2%	3	30
Fujian	22.8	61.3%	8.5%	4	23
Zhejiang	32.2	59.0%	5.5%	5	28
Tianjin	7.9	58.5%	10.3%	6	18
Liaoning	22.0	50.2%	5.1%	7	31
Jiangsu	39.5	50.0%	7.2%	8	25
Shanxi	15.9	44.2%	13.1%	9	13
Hainan	3.8	43.7%	13.6%	10	12
Xinjiang	9.6	43.6%	9.1%	11	21
Qinghai	2.4	41.9%	14.7%	12	9
Hebei	30.1	41.5%	15.9%	13	7
Shaanxi	15.5	41.5%	8.6%	13	22
Chongqing	12.0	40.9%	11.9%	15	16
Ningxia	2.6	40.3%	24.5%	16	1
Shandong	38.7	40.1%	6.7%	17	26
Hubei	23.1	40.1%	8.5%	17	24
Inner Mongolia	9.7	38.9%	12.9%	19	14
Jilin	10.6	38.6%	10.0%	20	20
Heilongjiang	13.3	34.7%	10.2%	21	19
Guangxi	15.9	34.2%	17.2%	22	4
Hunan	22.0	33.3%	13.6%	23	10
Xizang	1.0	33.3%	12.7%	23	15
Sichuan	25.6	31.8%	14.9%	25	8
Anhui	18.7	31.3%	17.9%	26	3
Gansu	8.0	31.0%	13.6%	27	11
Henan	28.6	30.4%	10.6%	28	17
Guizhou	9.9	28.6%	17.9%	29	2
Yunnan	13.2	28.5%	15.9%	30	6
Jiangxi	12.7	28.5%	16.5%	30	5
Total	564.0	42.1%	9.9%	-	-

Source: China Internet Network Information Center (CNNIC)

With an overall penetration rate of 42.1%, which is well below the 80.9% average of developed countries¹, we believe the Internet penetration rate will continue to grow in China. The penetration rate will be driven by two factors: Urbanization in tier-one, and strong double-digit growth in tier-two and tier-three cities. We expect that the overall number of Internet users will grow at a CAGR of 7.5% from 2013 to 2017 and at a CAGR of 4.5% from 2018 to 2025. Meanwhile, the Internet penetration rate will increase from 42.1% in 2012 to 82.0% in 2025 as illustrated in Exhibit 4 below.

¹ Data from Miniwatts Marketing Group. Average based on data for United States, France, Germany, South Korea, Japan, United Kingdom, and Canada.

Exhibit 4 – China Internet users and penetration rate forecast

Source: China Internet Network Information Center (CNNIC) and BlackOre Research estimates

Online activities and trend

In recent years, there have been changes in the online activities of Internet users in China. We have categorized these activities based on current and expected usage rates:

1. Established stable activities; 2. Declining activities; and 3. Up and coming activities.

Exhibit 5 – Internet activity / application usage rates from 2008 to 2012

	2008	2009	2010	2011	2012	Category
Instant messenger	75.3%	70.9%	77.1%	80.9%	82.9%	Established stable
Search engine	68.0%	73.3%	81.9%	79.4%	80.0%	Established stable
Music	83.7%	83.5%	79.2%	75.2%	77.3%	Declining
Traditional blog	54.3%	57.7%	64.4%	62.1%	66.1%	Established stable
Webcast / video streaming	67.7%	62.6%	62.1%	63.4%	65.9%	Established stable
Games	62.8%	68.9%	66.5%	63.2%	59.5%	Declining
Weibo (micro-blog)	n.a.	n.a.	13.8%	48.7%	54.7%	Up and coming
Social media	n.a.	45.8%	51.4%	47.6%	48.8%	Up and coming
Email	56.8%	56.8%	54.6%	47.9%	44.5%	Declining
Online shopping	24.8%	28.1%	35.1%	37.8%	42.9%	Up and coming
Online banking	19.3%	24.5%	30.5%	32.4%	39.3%	Up and coming
Online payment/transaction	17.6%	24.5%	30.0%	32.5%	39.1%	Up and coming
Forum (BBS)	30.7%	30.5%	32.4%	28.2%	26.5%	Declining
Travel booking	5.6%	7.9%	7.9%	8.2%	19.8%	Up and coming

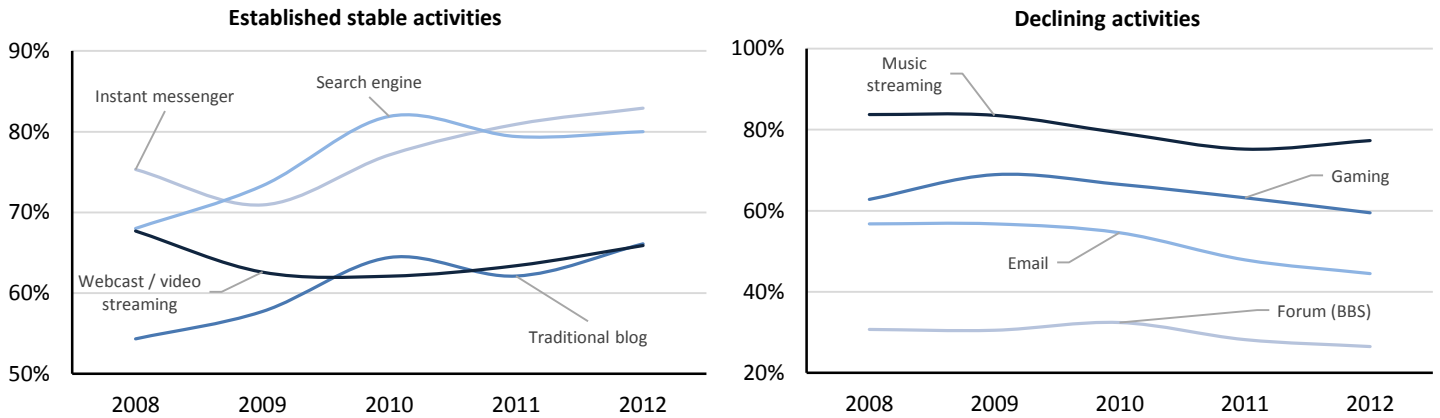
Source: China Internet Network Information Center (CNNIC) and BlackOre Research

Note: Data ranked based on 2012 usage rate in descending order

The established stable activities category (search engine, instant messenger, traditional blog, and webcast/online video streaming) has become a crucial part of Internet users in China. In 2012, 82.9% of Internet users used instant messenger, 80.0% used search engines, 66.1% used traditional blogs, and 65.9% used webcasting/online video streaming. These online activities have remained popular, and we expect their utilization rates to remain relatively strong. One factor to note is that many of these activities are now carried out on mobile Internet instead of traditional personal computers and laptop computers.

As applications become more integrated, several online activities (online music streaming, online gaming, email and forum/BBS) have shown decline in usage over the past few years. Email usage has decreased from 56.8% in 2008 to 44.5% in 2012, a decline of 12.3%. One of the main contributors to the decline is the development of mobile phones and associated communication and social media apps. Many of these apps, such as WeChat, Whatsapp, QQ, and LINE, have built-in functionalities that allow users to communicate, send files, pictures, and videos instantaneously.

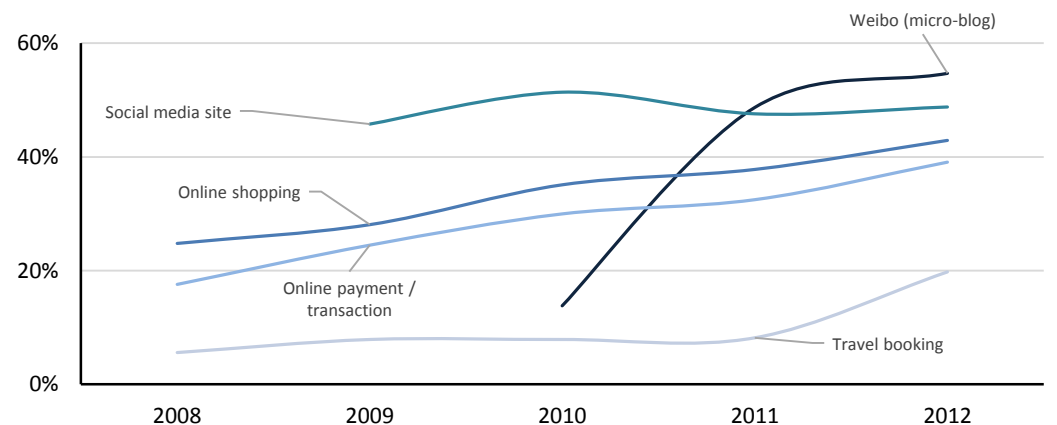
Exhibit 6 – China Internet users’ activities



Source: China Internet Network Information Center (CNNIC) and BlackOre Research

Ecommerce has grown substantially in China since 2008, mainly due to the increasing Internet and mobile Internet penetration. Activities such as online shopping, banking, and payments/transactions have grown from 20% range in 2008 to 40% range in 2012. Online travel booking has increased from 5.6% to 19.8% during the same period. Again, the increasing penetration of mobile devices and mobile Internet in China has made these activities relatively easy to use.

Exhibit 7 – Up and coming growth activities

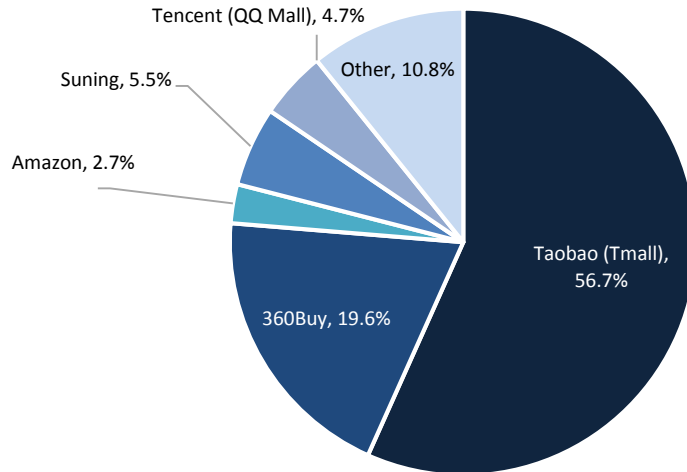


Source: China Internet Network Information Center (CNNIC) and BlackOre Research

Taobao (www.taobao.com) dominates the majority of the C2C (customer to customer) online shopping market in China with the largest C2C platform. It currently accounts for 88% to 91% of the overall C2C market revenues. The only other major competitor in the C2C market is Tencent’s Paipai (www.paipai.com) platform which holds 9% to 12% of

market share. In the B2C (business to customer) market, there are many more small players in addition to Taobao’s Tmall platform (www.tmall.com). According to iResearch, Taobao’s Tmall platform leads the B2C market with 56.7% market share, followed by 360Buy (www.360buy.com) with 19.6% market share in 2012.

Exhibit 8 – China’s B2C market share at the end of 2012



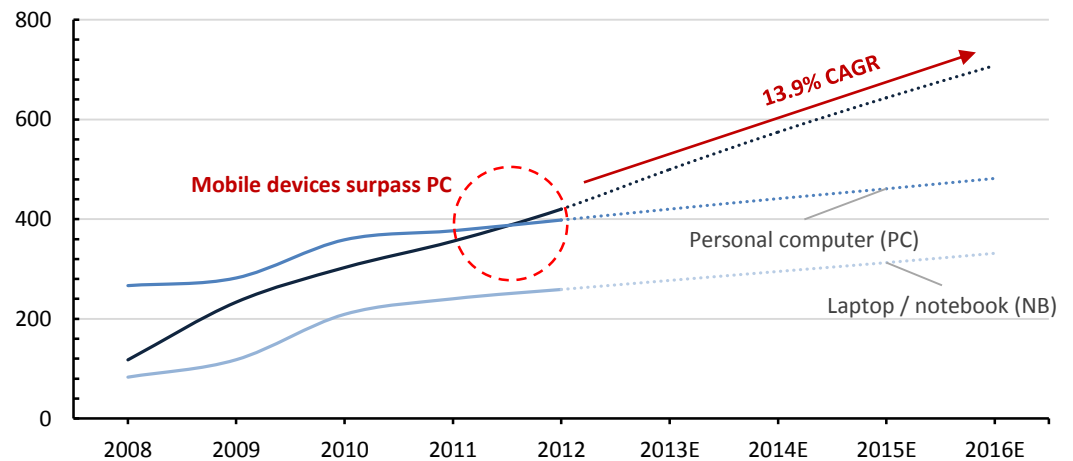
Source: iResearch & company filings

Note: B2C market include both traditional Internet (PC & laptop) and mobile Internet

Mobile Internet users take lead

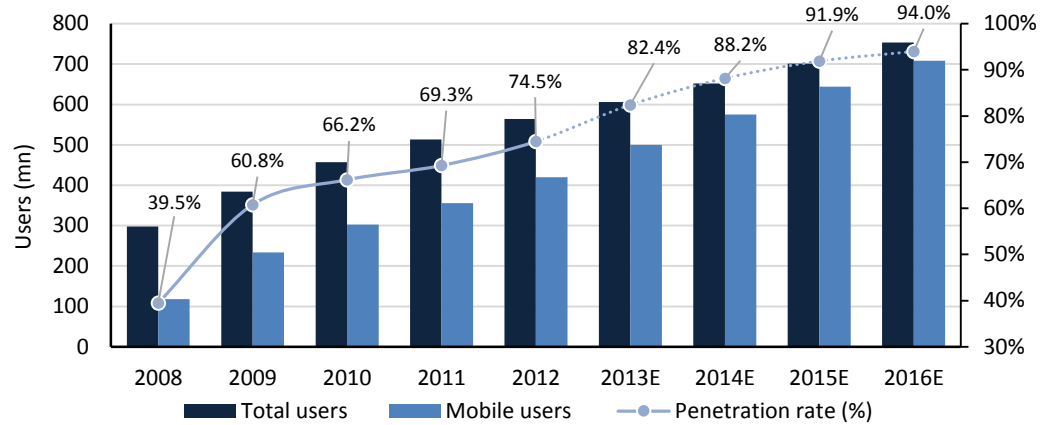
At the end of 2012, mobile Internet users in China reached 420.0 million, which grew at a CAGR of 52.9% from 50.4 million users in 2007. In terms of penetration rate, mobile Internet reached 74.5% by the end of 2012, up from 24.0% in 2007. In 2012, mobile Internet users overtook PC Internet users for the first time. PCs had been the main device that users used to access Internet in China. Exhibit 9 below shows the historical trend and our forecast for each device used to access Internet in China. We expect mobile devices to continue to widen its lead over PC and laptop computers.

Exhibit 9 – China Internet users by devices



Source: China Internet Network Information Center (CNNIC) and BlackOre Research estimates

Exhibit 10 – China’s total Internet users, mobile Internet users, and mobile penetration



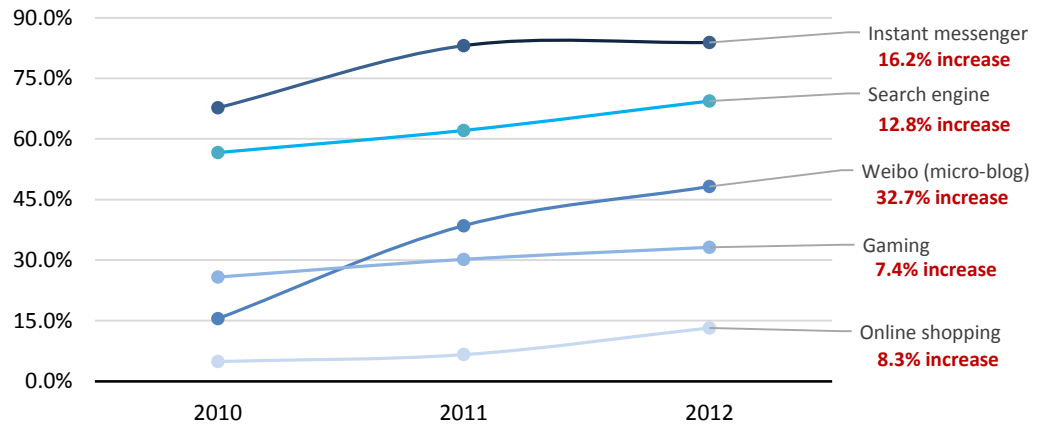
Source: China Internet Network Information Center (CNNIC) and BlackOre Research estimates

We believe that the tremendous growth is supported by rapid technology advancements in mobile devices (smartphone). Smartphones now have better computing power that enables advanced applications, such as mobile online gaming and mobile online shopping; bigger screen sizes (averaging 4 inches), which enable easier navigation and better user experience; and touchscreen devices to optimize browsing and the use of various apps.

As mentioned in our introduction, we believe that within the China Internet space, ecommerce and mobile commerce will experience strong growth over the next few years, outperforming other areas in the Internet space.

In addition, companies that are able to offer an integrated platform, which allows users to navigate multiple functions within one mobile app, are likely to outperform others that only offer a single function. Exhibit 11 shows mobile Internet activities between 2010 and 2012. Notice that mobile online shopping (mobile commerce) activity has doubled among mobile Internet users in 2012.

Exhibit 11 – Mobile Internet activity/applications usage rate 2010 to 2012

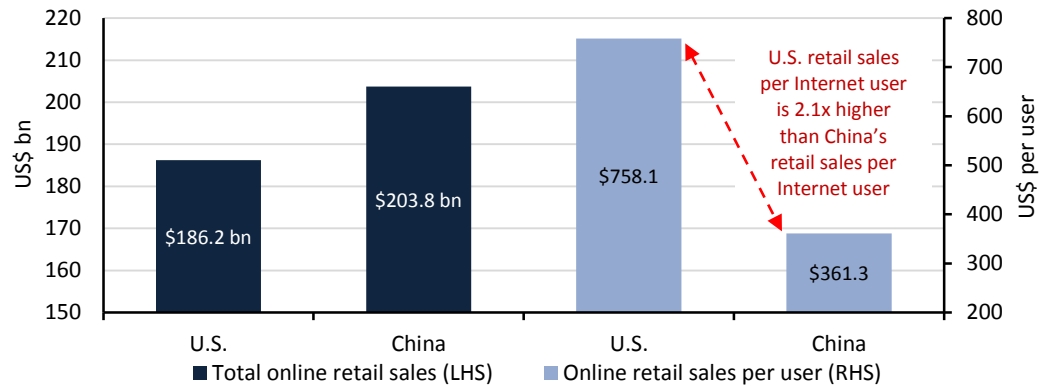


Source: China Internet Network Information Center (CNNIC) and BlackOre Research

Ecommerce

According to iResearch, China's online shopping market (ecommerce) reached US\$203.8 billion by the end of 2012, an increase of 68.8% from US\$120.9 billion in 2011, compared to U.S. online retail sales of US\$186.2 billion, according to comScore. Despite similar levels in total retail sales, retail sales per Internet user in the U.S. is 2.1 times higher than those in China as presented in Exhibit 12 below.

Exhibit 12 – Online retail sales in 2012, China vs. U.S.



Source: CNNIC, iResearch, comScore and BlackOre Research estimates

We believe China's ecommerce will be a major driver of the overall Internet space based on the following variables:

1. Economic activities and government policies in China have been catalysts for increasing individual wealth in China. We believe that this trend will continue as China gradually transitions from an export-driven economy to an import-oriented (internal consumption-driven) one, increasing the consumers' general propensity and power to purchase. As the level of individual wealth increases, demand for branded and quality products are likely to increase over time, which will directly contribute to an increase in total retail sales. Note that total retail sales (online and traditional) in the U.S. was US\$4,885 billion (approximately US\$15,600 per person) while total retail sales in China was US\$3,250 billion (approximately US\$2,400 per person) in 2012.
2. From the consumer perspective, we believe that B2C is the main way that individuals will be able to obtain reliable, authentic, and quality products. This is especially true for individuals that do not live in tier-one or coastal cities, where brick and mortar stores are located for international brands.
3. From the business perspective, we see that online retail (B2C) is the cheapest and easiest medium to reach the mass population in China, including those in tier-two and three cities.

Based on these key variables, we believe that ecommerce in China will continue to be the major growth component of overall Internet growth. Two drivers in particular can demonstrate the compounding effect of ecommerce growth: the increase in Internet

penetration in China, and the increase in average online retail sales per user. China’s Internet penetration rate is at 42.1% while the U.S. is at 78.3% in 2012. To demonstrate, we have applied the U.S. Internet penetration rate (78.3%) to the average online retail sales per Internet users in China (US\$361.3). This would result in a US\$378.7 billion online retail market in China as shown in Exhibit 13 below.

Exhibit 13 – China’s total online retail sales potential based on U.S. Internet penetration rate and sales per user

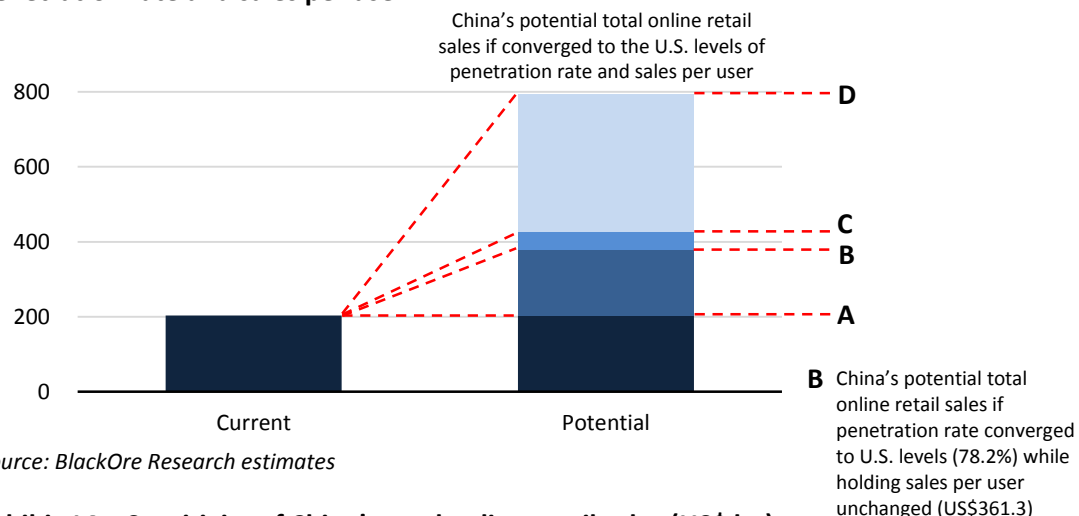


Exhibit 14 – Sensitivity of China’s total online retail sales (US\$ bn)

		Internet penetration rate (%)									
		42.1%	47.1%	52.1%	57.1%	62.1%	67.1%	72.1%	78.2%	83.2%	
A China’s current total online retail sales at the current Internet penetration rate (42.1%) and online retail sales per user (US\$361.3)	309.7	174.7	195.4	216.2	236.9	257.7	278.4	299.2	324.6	345.4	
	326.0	183.9	205.7	227.6	249.4	271.2	293.1	314.9	341.7	363.6	
	343.2	193.6	216.6	239.5	262.5	285.5	308.5	331.5	359.7	382.7	
	361.3	203.8	227.9	252.1	276.3	300.5	324.7	348.9	378.7	402.9	
	382.9	216.0	241.6	267.3	292.9	318.6	344.2	369.9	401.4	427.0	
	405.9	228.9	256.1	283.3	310.5	337.7	364.9	392.1	425.5	452.6	
	430.3	242.7	271.5	300.3	329.1	358.0	386.8	415.6	451.0	479.8	
	456.1	257.2	287.8	318.3	348.9	379.4	410.0	440.5	478.0	508.6	
	483.4	272.7	305.0	337.4	369.8	402.2	434.6	467.0	506.7	539.1	
	512.5	289.0	323.3	357.7	392.0	426.3	460.7	495.0	537.1	571.5	
	543.2	306.4	342.8	379.1	415.5	451.9	488.3	524.7	569.4	605.7	
	575.8	324.7	363.3	401.9	440.5	479.0	517.6	556.2	603.5	642.1	
	610.3	344.2	385.1	426.0	466.9	507.8	548.6	589.5	639.7	680.6	
	647.0	364.9	408.2	451.6	494.9	538.2	581.6	624.9	678.1	721.5	
	685.8	386.8	432.7	478.6	524.6	570.5	616.5	662.4	718.8	764.7	
	726.9	410.0	458.7	507.4	556.1	604.8	653.4	702.1	761.9	810.6	
758.1	427.6	478.3	529.1	579.9	630.7	681.5	732.2	794.6	845.4		

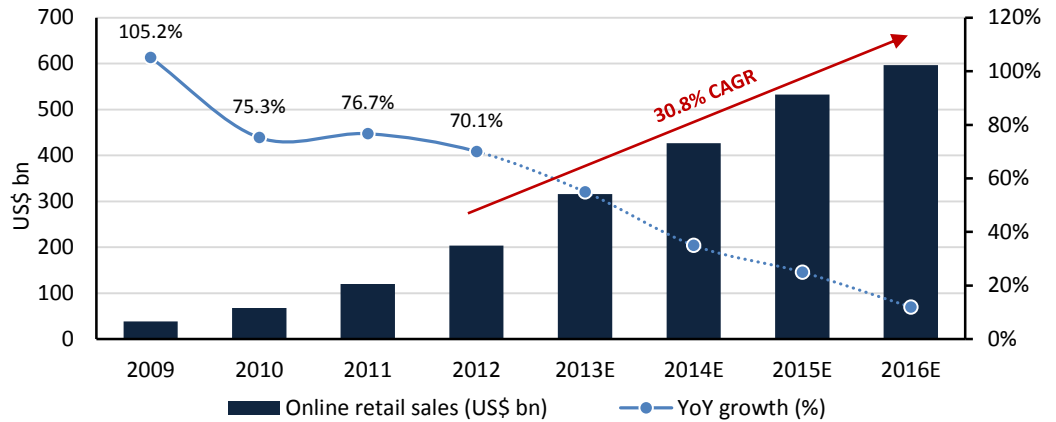
Source: BlackOre Research estimates

D China’s potential total online retail sales if sales per user and penetration rate both converged to U.S. levels

Furthermore, as Chinese consumers demand higher quality, more expensive products, or simply have higher propensity to purchase, the sales-per-user figure will continue to rise accordingly. As such, there will be a corresponding effect on the total online retail sales growth. Exhibit 14 illustrates the combined effect of these two growth drivers.

We expect China’s online retail sales to grow at a CAGR of 30.8% from US\$203.8 billion in 2012 to US\$596.9 billion in 2016 as demonstrated in Exhibit 15.

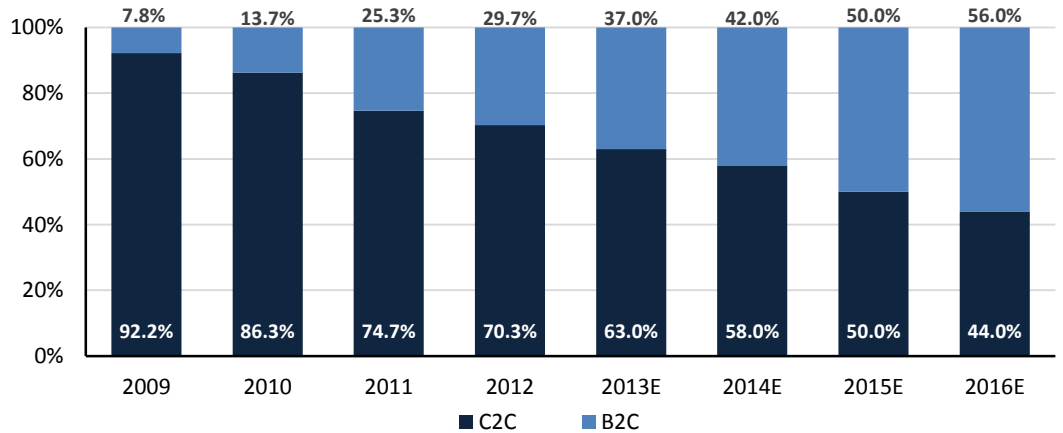
Exhibit 15 – China’s online retail sales from 2008 to 2016E



Source: iResearch and BlackOre Research estimates

Within the ecommerce space, C2C accounted for 70.3% of the overall market share (based on total dollar value of sales made online) in 2012. However, this dynamic is expected to change as B2C gradually gains market share from C2C. B2C has progressively increased its market share from 7.8% in 2009 to 29.7% in 2012. Exhibit 16 below shows the C2C and B2C market trend along with our forecast. We expect B2C market share to surpass that of C2C by the end of 2015 as Chinese consumers’ purchasing power improve and demand better quality products that are mainly offered by actual businesses, not individuals.

Exhibit 16 – C2C and B2C market share in China

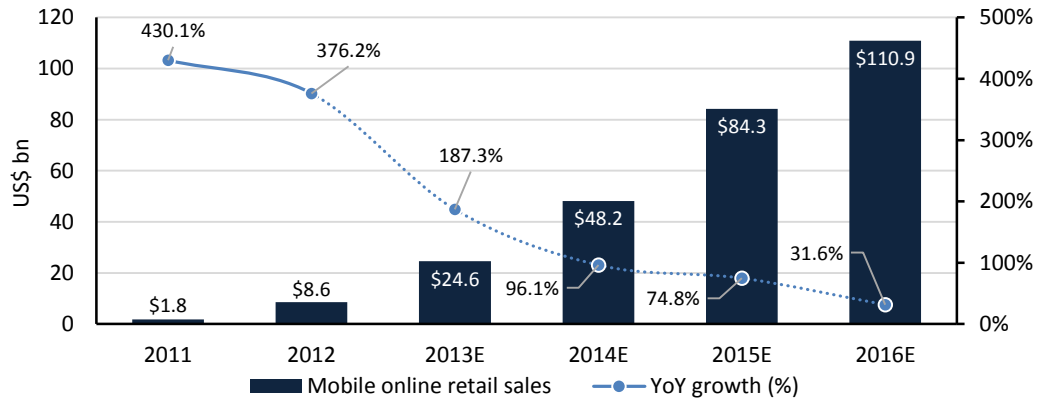


Source: iResearch & BlackOre Research estimates

Mobile commerce (m-commerce)

Mobile commerce (m-commerce) is still at its early stages in China, and we believe there is significant growth opportunity in the m-commerce space. In 2012, total online retail sales from m-commerce was US\$8.56 billion, which was 4.2% of total online retail sales in China. We believe that m-commerce will continue to gain market share from ecommerce and will increase at a CAGR of 89.7% from 2012 to 2016. As mentioned earlier, we believe such growth is reasonable given the rapid penetration of smartphones and mobile Internet in China.

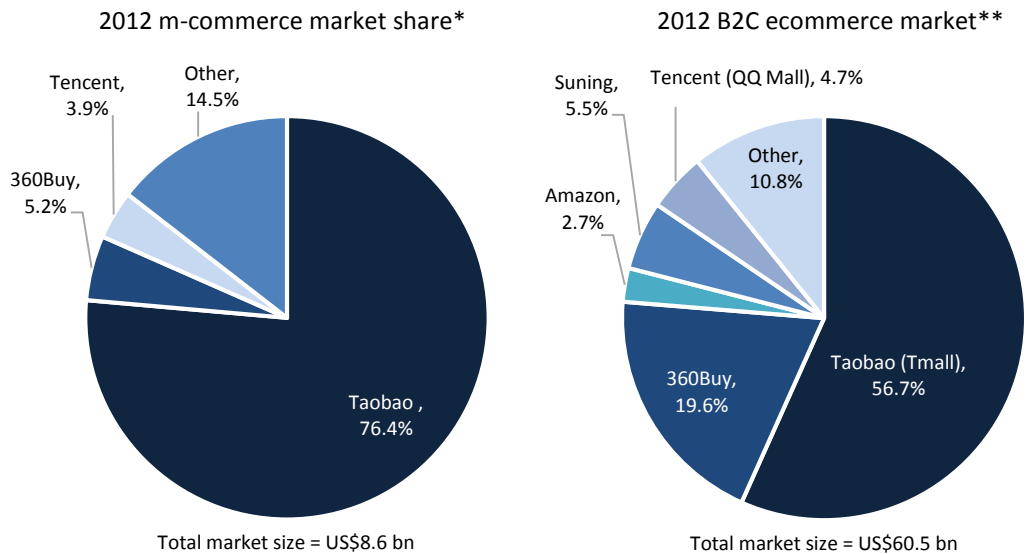
Exhibit 17 – China’s mobile online retail sales from 2011 to 2016E



Source: iResearch & BlackOre Research estimates

Similar to the overall ecommerce market, Taobao dominates the m-commerce market with 76.4% of the overall market share. 360Buy comes in second and Tencent in third, with 5.2% and 3.9% market share, respectively. Suning’s and Amazon’s m-commerce exposure in China is relatively small.

Exhibit 18 – Ecommerce market in China



Source: iResearch & company filings

Note: * M-commerce market share based on both C2C and B2C sales made on mobile devices.

** B2C ecommerce market share based on B2C sales made on both mobile and non-mobile devices.

CHINA INTERNET PLAYERS

With the continuous expansion of the Internet market in China, there are new competitors entering the market each month. Below are several players in the Internet space in China and their specialty and market size. Some of the U.S.-listed mega players include SINA Corporation (NASDAQ: SINA), Sohu.com Inc. (NASDAQ: SOHU), Baidu.com Inc. (NASDAQ: BIDU), and Renren Inc. (NYSE: RENN). In addition to these well-known competitors, we also identified several top small/new players in the field, which include Jiayuan.com (NASDAQ: DATE), E-Commerce China Dangdang (NYSE: DANG), eLong Inc. (NASDAQ: LONG), and Youku Tudou Inc. (NYSE: YOKU).

Exhibit 19 – Financial highlight of China Internet players

(All figures in US\$ million unless otherwise specified)

	Exchange	Ticker	Price (US\$)	Mkt. cap.	Revenues			Net income			Diluted EPS (US\$)			Latest (%)	
					FY2010	FY2011	LTM	FY2010	FY2011	LTM	FY2010	FY2011	LTM	ROE	D/E
Multifunction and search engine															
Baidu, Inc.	NASDAQ	BIDU	94.32	32,980	1,266.9	2,321.1	3,570.4	564.3	1,062.6	1,673.6	1.62	3.04	3.45	47.7%	43.9%
SINA Corporation	NASDAQ	SINA	56.00	3,711	402.6	482.8	523.6	-19.1	-302.1	38.7	-0.31	-4.64	0.02	3.6%	NM
Sohu.com Inc.	NASDAQ	SOHU	46.81	1,780	612.8	852.1	1,067.2	148.6	162.7	87.2	3.62	3.94	1.83	13.4%	17.4%
Social media															
Tencent Holdings Ltd.	SEHK	700	35.46	65,132	3,144.6	4,561.2	6,348.6	1,289.1	1,633.1	1,889.6	0.69	0.88	0.80	36.5%	33.5%
Renren Inc.	NYSE	RENN	3.23	1,215	76.5	118.0	160.1	-64.2	41.3	-9.7	-0.90	0.15	-0.10	NM	NM
YY Inc.	NASDAQ	YY	15.91	846	20.5	51.2	106.6	-38.2	-13.3	9.6	-16.13	-2.02	0.28	NM	NM
Jiayuan.com International	NASDAQ	DATE	5.68	180	26.8	53.0	62.2	2.7	6.0	6.5	-0.08	0.12	0.16	7.5%	NM
Online video, music and entertainment															
NetEase, Inc.	NASDAQ	NTES	51.41	6,733	881.6	1,167.0	1,312.7	357.9	517.7	582.2	2.76	3.96	3.32	25.0%	NM
Youku Tudou Inc.	NYSE	YOKU	21.45	3,508	62.0	143.7	235.1	-32.8	-27.5	-57.6	-1.27	-0.26	-0.27	NM	0.3%
NetDragon WebSoft, Inc.	SEHK	777	1.42	714	85.1	121.8	159.2	5.6	21.6	32.7	0.01	0.04	0.05	13.2%	22.9%
Perfect World Co., Ltd.	NASDAQ	PWRD	11.81	571	381.5	477.5	458.5	134.6	157.5	114.3	2.54	3.08	1.74	18.9%	19.2%
Ku6 Media Co., Ltd.	NASDAQ	KUTV	1.04	49	16.6	19.2	15.2	-51.5	-49.3	-10.4	-2.00	-1.16	-0.01	NM	NM
Gaming															
Changyou.com Limited	NASDAQ	CYOU	30.48	1,608	354.1	484.6	623.4	194.7	245.5	282.4	3.66	4.60	4.05	47.3%	35.7%
Giant Interactive Group	NYSE	GA	6.13	1,450	213.3	286.9	332.1	129.8	140.9	185.3	0.56	0.61	0.53	46.2%	NM
Kingsoft Corporation	SEHK	3888	0.90	1,033	155.5	163.3	202.3	59.6	52.0	61.9	0.05	0.04	0.04	17.3%	17.2%
Shanda Games Limited	NASDAQ	GAME	3.04	833	721.0	845.4	793.4	206.3	202.5	192.6	0.72	0.71	0.62	26.2%	73.9%
Ecommerce															
Vipshop Holdings Limited	NYSE	VIPS	24.90	1,259	32.6	227.1	497.7	-8.4	-107.3	-79.3	-0.36	-4.20	-0.95	NM	NM
E-Commerce China Dangdang	NYSE	DANG	4.17	334	365.2	579.3	770.0	4.9	-36.6	-72.3	0.02	-0.46	-0.57	NM	23.0%
Global Sources Ltd.	NASDAQ	GSOL	7.80	265	196.6	225.1	238.8	25.3	29.5	32.9	0.61	0.83	0.62	24.1%	NM
Mecox Lane Limited	NASDAQ	MCOX	2.38	136	227.5	217.9	170.1	4.4	-33.2	-27.0	0.36	-2.87	-1.34	NM	NM
Travel															
Ctrip.com International	NASDAQ	CTRP	21.01	2,917	461.2	559.9	665.7	167.8	172.3	114.4	1.12	1.13	0.71	10.1%	23.9%
eLong Inc.	NASDAQ	LONG	16.15	554	77.1	93.8	111.0	3.3	6.3	1.6	0.13	0.20	0.04	0.5%	NM
Specialty and others															
Qihoo 360 Technology	NYSE	QIHU	32.64	3,896	57.7	167.9	288.4	8.5	15.6	49.0	0.07	0.13	0.30	12.1%	NM
SouFun Holdings Ltd.	NYSE	SFUN	28.02	2,251	224.5	343.8	430.3	63.1	101.6	151.8	0.79	1.24	1.58	108.6%	187.4%
51job Inc.	NASDAQ	JOBS	57.43	1,656	165.4	208.2	227.3	37.6	61.9	74.0	1.32	2.10	1.85	20.5%	NM

Source: Capital IQ

Note: Market data as of February 20, 2013

Exhibit 20 – Trading multiples of China Internet players

(All figures in US\$ million unless otherwise specified)

Exchange	Ticker	Price (US\$)	Mkt. cap.	EV/revenue			EV/EBITDA			P/E			Tang. BV per share		
				LTM	FY2013	FY2014	LTM	FY2013	FY2014	LTM	FY2013	FY2014			
Multifunction and search engine															
	Baidu, Inc.	NASDAQ	BIDU	94.32	32,980	8.30x	6.10x	4.80x	15.4x	12.4x	9.8x	19.7x	17.5x	14.0x	9.46
	SINA Corporation	NASDAQ	SINA	56.00	3,711	5.80x	5.78x	4.95x	275.4x	153.5x	42.2x	98.9x	NM	67.9x	15.72
	Sohu.com Inc.	NASDAQ	SOHU	46.81	1,780	1.30x	1.04x	0.90x	4.1x	4.0x	3.3x	23.0x	16.1x	11.8x	22.47
Social media															
	Tencent Holdings Ltd.	SEHK	700	35.46	65,132	10.00x	NA	NA	23.6x	NA	NA	35.1x	NA	NA	2.13
	Renren Inc.	NYSE	RENN	3.23	1,215	2.00x	1.86x	1.30x	NM	NM	NM	NM	NM	NM	2.88
	YY Inc.	NASDAQ	YY	15.91	846	6.80x	5.68x	3.34x	51.5x	29.4x	16.2x	NM	23.2x	19.8x	2.16
	Jiayuan.com International	NASDAQ	DATE	5.68	180	1.30x	1.28x	1.08x	10.7x	7.9x	6.6x	29.0x	19.6x	18.4x	2.70
Online video, music and entertainment															
	NetEase, Inc.	NASDAQ	NTES	51.41	6,733	3.20x	2.73x	2.44x	6.6x	5.8x	5.1x	11.6x	10.3x	9.2x	19.12
	Youku Tudou Inc.	NYSE	YOKU	21.45	3,508	12.50x	10.35x	6.01x	NM	NM	NM	NM	NM	NM	5.60
	NetDragon WebSoft, Inc.	SEHK	777	1.42	714	3.40x	NA	NA	11.0x	NA	NA	22.4x	NA	NA	0.46
	Perfect World Co., Ltd.	NASDAQ	PWRD	11.81	571	0.80x	0.78x	0.71x	2.3x	2.7x	2.4x	5.0x	5.6x	5.0x	11.27
	Ku6 Media Co., Ltd.	NASDAQ	KUTV	1.04	49	2.40x	NA	NA	NM	NA	NA	NM	NA	NA	0.41
Gaming															
	Changyou.com Limited	NASDAQ	CYOU	30.48	1,608	2.40x	2.01x	1.80x	3.9x	3.6x	3.2x	5.8x	5.2x	4.7x	7.92
	Giant Interactive Group	NYSE	GA	6.13	1,450	3.30x	3.16x	2.71x	5.1x	4.9x	4.3x	7.9x	7.2x	6.6x	1.61
	Kingsoft Corporation	SEHK	3888	0.90	1,033	3.80x	NA	NA	11.4x	NA	NA	17.1x	NA	NA	0.29
	Shanda Games Limited	NASDAQ	GAME	3.04	833	0.90x	1.00x	0.97x	2.6x	2.7x	2.8x	4.4x	4.2x	4.1x	1.06
Ecommerce															
	Vipshop Holdings Limited	NYSE	VIPS	24.90	1,259	2.30x	1.73x	0.87x	NM	NM	23.2x	NM	NM	25.8x	0.36
	E-Commerce China Dangdang	NYSE	DANG	4.17	334	0.20x	0.17x	0.12x	NM	NM	NM	NM	NM	NM	2.33
	Global Sources Ltd.	NASDAQ	GSOL	7.80	265	0.70x	NA	NA	3.8x	NA	NA	8.5x	NA	NA	3.48
	Mecox Lane Limited	NASDAQ	MCOX	2.38	136	0.60x	0.62x	0.61x	NM	NA	NA	NM	NM	NM	8.89
Travel															
	Ctrip.com International Ltd.	NASDAQ	CTRP	21.01	2,917	3.60x	3.02x	2.55x	19.4x	15.3x	12.0x	26.3x	18.1x	14.8x	6.49
	eLong Inc.	NASDAQ	LONG	16.15	554	2.30x	2.10x	1.64x	NM	NM	30.4x	NM	140.4x	41.4x	8.98
Specialty and others															
	Qihoo 360 Technology	NYSE	QIHU	32.64	3,896	12.30x	11.10x	7.16x	60.5x	32.8x	22.9x	4.8x	44.1x	30.7x	3.00
	SouFun Holdings Ltd.	NYSE	SFUN	28.02	2,251	5.70x	4.61x	3.93x	12.1x	9.7x	8.4x	15.1x	11.6x	10.1x	2.33
	51job Inc.	NASDAQ	JOBS	57.43	1,656	5.70x	5.34x	4.72x	16.0x	15.2x	12.9x	23.1x	20.5x	18.3x	11.81

Source: Capital IQ

Note: 1. Tangible BV = common equity + statutory reserve + accumulated OCI + retained earnings – net intangible assets

2. Market data as of February 20, 2013

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