Phoenix New Media Ltd
Form 20-F
April 26, 2019
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

o	**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**
	OR
x	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2018.**
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	OR
o	**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from to

Commission file number 001-35158

Phoenix New Media Limited

(Exact name of Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

Sinolight Plaza, Floor 16

No. 4 Qiyang Road

Wangjing, Chaoyang District,

Beijing 100102

People s Republic of China
(Address of principal executive offices)

Contact Person: Ms. Betty Yip Ho

Chief Financial Officer

(86 10) 6067-6869

Sinolight Plaza, Floor 16

No. 4 Qiyang Road

Wangjing, Chaoyang District,

Beijing 100102

People s Republic of China
*(Name, Telephone, E-mail 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 eight Class A ordinary shares	New York Stock Exchange, Inc.
Class A ordinary shares, par value $0.01 per share*	New York Stock Exchange, Inc.

* Not for trading, but only in connection with the registration of American Depositary Shares representing such Class A ordinary shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Table of Contents

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

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.

264,824,592 Class A ordinary shares were outstanding as of December 31, 2018
317,325,360 Class B ordinary shares were outstanding as of December 31, 2018

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

o Yes x 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.

o Yes x No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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 registrat was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes o No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer x Non-accelerated filer o Emerging growth company o

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

U.S. GAAP x	International Financial Reporting Standards as issued by the International Accounting Standards Board o	Other o

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.

o Item 17 o 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).

o Yes x 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 Section 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.

o Yes o No

Table of Contents

PHOENIX NEW MEDIA LIMITED

FORM 20-F ANNUAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2018

	Page
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	36
ITEM 4A. UNRESOLVED STAFF COMMENTS	65
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS	65
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	85
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	91
ITEM 8. FINANCIAL INFORMATION	94
ITEM 9. THE OFFER AND LISTING	95
ITEM 10. ADDITIONAL INFORMATION	95
ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	100
ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	101
PART II	102
ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	102
ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	102
ITEM 15. CONTROLS AND PROCEDURES	102
ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT	103
ITEM 16B. CODE OF ETHICS	103
ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES	103
ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	104
ITEM 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	104
ITEM 16F. CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT	104
ITEM 16G. CORPORATE GOVERNANCE	104
ITEM 16H. MINE SAFETY	104
PART III	104
ITEM 17. FINANCIAL STATEMENTS	104
ITEM 18. FINANCIAL STATEMENTS	104
ITEM 19. EXHIBIT INDEX	105

Table of Contents

Conventions that Apply to this Annual Report on Form 20-F

In this annual report, unless otherwise indicated:

- ADSs refers to our American depositary shares, each of which represents eight Class A ordinary shares and ADRs refers to the American depositary receipts that may evidence our ADSs;

- affiliated consolidated entities refer to Yifeng Lianhe (Beijing) Technology Co., Ltd., Beijing Tianying Jiuzhou Network Technology Co., Ltd., and Beijing Chenhuan Technology Co., Ltd., each of which is a PRC domestic company. Substantially all of our operations in China are conducted by our affiliated consolidated entities, in which we do not own any equity interest, through our contractual arrangements. We treat all of these three PRC domestic companies as variable interest entities and have consolidated their financial results in our financial statements in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. As such, unless otherwise specified herein, references to affiliated consolidated entities in this annual report include Yifeng Lianhe, Tianying Jiuzhou and Chenhuan;

- Chenhuan refers to Beijing Chenhuan Technology Co., Ltd., a PRC domestic company and one of our affiliated consolidated entities;

- China or PRC refers to the People s Republic of China, excluding, for the purposes of this annual report on Form 20-F only, Taiwan, Hong Kong and Macau;

- Class A ordinary shares refer to our Class A ordinary shares, par value US$0.01 per share;

- Class B ordinary shares refer to our Class B ordinary shares, par value US$0.01 per share, each of which shall be entitled to 1.3 votes on all matters subject to shareholders vote;

- Fenghuang On-line refers to Fenghuang On-line (Beijing) Information Technology Co., Ltd., a wholly foreign-owned PRC entity;

- Fengyu Network refers to Beijing Fengyu Network Technology Co., Ltd., a PRC domestic company and a subsidiary of Chenhuan.

- Huanyou Tianxia refers to Beijing Huanyou Tianxia Technology Co., Ltd., a PRC domestic company and an indirect subsidiary of Tianying Jiuzhou;

- Qieyiyou refers to Qieyiyou (Beijing) Information Technology Co., Ltd., a wholly foreign-owned PRC entity;

- ordinary shares refer to our Class A ordinary shares and Class B ordinary shares, collectively;

- Phoenix TV refers to Phoenix Media Investment (Holdings) Limited;

- Phoenix TV (BVI) refers to Phoenix Satellite Television (B.V.I) Holding Limited, a wholly owned direct subsidiary of Phoenix TV, which directly owned 54.5% of our share capital as of March 31, 2019.

- Phoenix TV Group refers to Phoenix TV and its subsidiaries, not including our company.

- PRC subsidiaries refer to Fenghuang On-line (Beijing) Information Technology Co., Ltd., Beijing Fenghuang Yutian Software Technology Co., Ltd., Fenghuang Feiyang (Beijing) New Media Information Technology Co., Ltd., Beijing Fenghuang Borui Software Technology Co., Ltd., Qieyiyou (Beijing) Information Technology Co. and any other companies established in the PRC in which we hold direct or indirect certain equity interests and whose financial results are consolidated into our financial statements in accordance with U.S. GAAP; and unless otherwise specified herein, references to PRC subsidiaries in this annual report do not include the companies established in the PRC in which we do not hold directly or indirectly any equity interest but whose financial results are consolidated into our financial statements as variable interest entities in accordance with U.S. GAAP.

- RMB or Renminbi refers to the legal currency of China; $, dollars , US$ and U.S. dollars refer to the leg currency of the United States;

- Tianying Jiuzhou refers to Beijing Tianying Jiuzhou Network Technology Co., Ltd., a PRC domestic company and one of our affiliated consolidated entities;

- we , us , our company , our and Phoenix New Media refer to Phoenix New Media Limited, a Cayman Island company and its predecessor entities and subsidiaries, and, unless the context otherwise requires, our affiliated consolidated entities and their subsidiaries in China; and

- Yifeng Lianhe refers to Yifeng Lianhe (Beijing) Technology Co., Ltd., a PRC domestic company and one of our affiliated consolidated entities.

This annual report contains statistical data that we obtained from various government and private publications, as well as a database issued by Shanghai iResearch Co., Ltd., a third-party PRC consulting and market research firm focused on Internet media markets. We have not independently verified the data in these reports and database. Statistical data in these publications also include projections based on a number of assumptions. If any one of the assumptions underlying the statistical data turns out to be incorrect, actual results may differ from the projections based on these assumptions.

This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2016, 2017 and 2018, and as of December 31, 2017 and 2018.

Our ADSs are listed on the New York Stock Exchange under the symbol FENG.

Table of Contents

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not required.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The selected consolidated financial data shown below should be read in conjunction with Item 5. Operating and Financial Review and Prospects, and the financial statements and the notes to those statements included elsewhere in this annual report on Form 20-F. The selected consolidated statements of comprehensive income/(loss) data for the years ended December 31, 2016, 2017 and 2018 and the selected consolidated balance sheet data as of December 31, 2017 and 2018 have been derived from our audited consolidated financial statements, which are included elsewhere in this annual report on Form 20-F. The selected consolidated statements of comprehensive income/(loss) data for the years ended December 31, 2014 and 2015 and the selected balance sheet data as of December 31, 2014, 2015 and 2016 have been derived from our audited financial statements not included in this annual report on Form 20-F. The historical results are not necessarily indicative of results to be expected in any future period.

	For the Years Ended December 31,					
	2014	2015	2016	2017	2018*	
	RMB	RMB	RMB	RMB	RMB	US$
	(In thousands, except for number of shares and per share (or ADS) data)					
Consolidated Statements of Comprehensive Income/(Loss) Data						
Revenues:						
Net advertising revenues	1,190,158	1,226,516	1,232,210	1,353,480	1,198,271	174,281
Paid services revenues	447,702	382,680	212,697	221,612	179,108	26,050
Total revenues	1,637,860	1,609,196	1,444,907	1,575,092	1,377,379	200,331
Cost of revenues (1)	(781,632)	(829,386)	(726,807)	(727,197)	(596,548)	(86,764)
Gross profit	856,228	779,810	718,100	847,895	780,831	113,567

Operating expenses (1) :						
Sales and marketing expenses	(330,777)	(346,133)	(339,171)	(493,664)	(537,562)	(78,185)
General and administrative expenses	(137,818)	(183,989)	(181,677)	(146,923)	(162,568)	(23,645)
Technology and product development expenses	(149,996)	(170,714)	(161,880)	(192,325)	(204,723)	(29,776)
Total operating expenses	(618,591)	(700,836)	(682,728)	(832,912)	(904,853)	(131,606)
Income/(loss) from operations	237,637	78,974	35,372	14,983	(124,022)	(18,039)
Other income, net**	72,859	18,928	56,937	34,224	78,515	11,420
Income/(loss) before tax	310,496	97,902	92,309	49,207	(45,507)	(6,619)
Income tax expense	(48,377)	(25,517)	(14,089)	(14,783)	(20,105)	(2,924)
Net income/(loss)	262,119	72,385	78,220	34,424	(65,612)	(9,543)
Net loss attributable to noncontrolling interests	972	1,199	2,391	3,048	2,390	348
Net income/(loss) attributable to Phoenix New Media Limited	263,091	73,584	80,611	37,472	(63,222)	(9,195)
Net income/(loss)	262,119	72,385	78,220	34,424	(65,612)	(9,543)
Other comprehensive income, net of tax: fair value remeasurement for available-for-sale debt investments	40,283	15,869	247,336	321,538	566,320	82,368
Other comprehensive (loss)/income, net of tax: foreign currency translation adjustment	4,503	22,813	27,669	(49,640)	51,794	7,533
Comprehensive income	306,905	111,067	353,225	306,322	552,502	80,358
Comprehensive loss attributable to noncontrolling interests	972	1,199	2,391	3,048	2,390	348
Comprehensive income attributable to Phoenix New Media Limited	307,877	112,266	355,616	309,370	554,892	80,706
Net income/(loss) attributable to Phoenix New Media Limited	263,091	73,584	80,611	37,472	(63,222)	(9,195)
Net income/(loss) per Class A and Class B ordinary share:						
Basic	0.44	0.13	0.14	0.07	(0.11)	(0.02)
Diluted	0.43	0.13	0.14	0.06	(0.11)	(0.02)
Net income/(loss) per ADS (1 ADS represents 8 Class A ordinary shares):						
Basic	3.52	1.03	1.12	0.52	(0.87)	(0.13)

Diluted	3.42	1.01	1.12	0.51	(0.87)	(0.13)
Weighted average number of Class A and Class B ordinary shares used in computing net income/(loss) per share:						
Basic	597,616,623	571,247,723	573,521,536	574,786,887	581,084,453	581,084,453
Diluted	614,620,110	580,785,256	577,037,906	590,433,907	581,084,453	581,084,453

Note:

* Beginning from January 1, 2018, we adopted a new accounting standard of ASC 606, *Revenue from Contracts with Customers,* by applying the modified retrospective method. The financial data presented in our financial statements for the year ended December 31, 2018 are prepared in accordance with such new revenue accounting standard while all financial data presented for the years ended December 31, 2014, 2015, 2016 and 2017 are prepared in accordance with ASC 605, *Revenue Recognition*.

** Other income, net generally reflects government subsidies, interest income, interest expense, foreign currency exchange gain or loss, income/(loss) from equity method investments, net of impairments, and others, net.

Table of Contents

(1) Includes share-based compensation as follows:

	For the Years Ended December 31,					
	2014	2015	2016	2017	2018	
	RMB	RMB	RMB	RMB	RMB	US$
	(In thousands)					
Allocation of share-based compensation:						
Cost of revenues	16,295	6,335	(4,367)	5,017	3,750	545
Sales and marketing expenses	10,200	3,043	(2,842)	1,877	2,360	343
General and administrative expenses	20,927	21,836	11,025	10,796	5,072	738
Technology and product development expenses	5,759	3,140	(1,926)	3,162	2,807	408
Total share-based compensation included in cost of revenues and operating expenses	53,181	34,354	1,890	20,852	13,989	2,034

	As of December 31,					
	2014	2015	2016	2017	2018	
	RMB	RMB	RMB	RMB	RMB	US$
	(In thousands)					
Consolidated Balance Sheet Data						
Cash and cash equivalents	1,285,847	310,669	202,694	362,862	174,024	25,311
Term deposits and short term investments	40,000	769,681	781,298	737,657	912,594	132,731
Accounts receivable, net	493,569	506,351	405,033	458,744	484,113	70,411
Total current assets	2,038,343	1,894,953	2,068,385	2,243,266	2,020,570	293,879
Total assets	2,326,830	2,567,206	3,168,542	3,599,108	4,630,719	673,510
Current liabilities	591,993	742,840	983,079	1,071,931	1,073,267	156,100
Non-current liabilities	18,179	19,680	23,035	26,026	167,091	24,303
Total liabilities	610,172	762,520	1,006,114	1,097,957	1,240,358	180,403
Total shareholders equity	1,716,658	1,804,686	2,162,428	2,501,151	3,390,361	493,107

Table of Contents

	For the Years Ended December 31,					
	2014	2015	2016	2017	2018	
	RMB	RMB	RMB	RMB	RMB	US$
	(In thousands)					
Non-GAAP gross profit (2)	872,523	786,145	713,733	852,912	784,581	114,112
Non-GAAP income/(loss) from operations (2)	290,818	113,328	37,262	35,835	(110,033)	(16,005)
Non-GAAP adjusted net income/(loss) attributable to Phoenix New Media Limited (3)	305,150	145,156	84,277	52,028	(54,585)	(7,939)

Notes:

(2) Non-GAAP gross profit and non-GAAP income/(loss) from operations are both non-GAAP financial measures. Non-GAAP gross profit is gross profit excluding share-based compensation. Non-GAAP income/(loss) from operations is income/(loss) from operations excluding share-based compensation.

(3) We define non-GAAP adjusted net income/(loss) attributable to Phoenix New Media Limited as net income/(loss) attributable to Phoenix New Media Limited excluding share-based compensation, income or loss from equity method investments, net of impairments, gain on disposal of subsidiaries and acquisition of equity investments, and gain on disposal of an equity investment and acquisition of available-for-sale debt investments.

We believe the separate analysis and exclusion of the following non-GAAP to GAAP reconciling items add clarity to the constituent parts of our performances. We review non-GAAP gross profit, non-GAAP income/(loss) from operations and non-GAAP adjusted net income/(loss) attributable to Phoenix New Media Limited together with gross profit, income/(loss) from operations and net income/(loss) attributable to Phoenix New Media Limited to obtain a better understanding of our operating performance. We use these non-GAAP financial measures for planning and forecasting and measuring results against the forecast. Using these non-GAAP financial measures to evaluate our business allows us and our investors to assess our relative performance against our competitors and ultimately monitor our capacity to generate returns for our investors. We also believe it is useful supplemental information for investors and analysts to assess our operating performance without the effect of items like share-based compensation, income or loss from equity method investments, net of impairments, which have been and will continue to be significant recurring items, and without the effect of gain on disposal of subsidiaries and acquisition of equity investments, and gain on disposal of an equity investment and acquisition of available-for-sale debt investments, which have been significant and one-time items. However, the use of non-GAAP financial measures has material limitations as an analytical tool. One of the limitations of using non-GAAP financial measures is that they do not include all items that impact our gross profit, income from operations and net income attributable to Phoenix New Media Limited for the period. In addition, because non-GAAP financial measures are not calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies. In light of the foregoing limitations, you should not consider non-GAAP financial measures in isolation from or as an alternative to the financial measures prepared in accordance with U.S. GAAP.

Non-GAAP to GAAP reconciling items have no income tax effect.

Our non-GAAP gross profit, non-GAAP income from operations and non-GAAP adjusted net income attributable to Phoenix New Media Limited are calculated as follows for the years presented:

	For the Years Ended December 31,					
	2014	2015	2016	2017	2018	
	RMB	RMB	RMB	RMB	RMB	US$
	(In thousands)					
Gross Profit	856,228	779,810	718,100	847,895	780,831	113,567
Excluding:						
Share-based compensation	16,295	6,335	(4,367)	5,017	3,750	545
Non-GAAP gross profit	872,523	786,145	713,733	852,912	784,581	114,112
Income/(loss) from operations	237,637	78,974	35,372	14,983	(124,022)	(18,039)
Excluding:						
Share-based compensation	53,181	34,354	1,890	20,852	13,989	2,034
Non-GAAP income/(loss) from operations	290,818	113,328	37,262	35,835	(110,033)	(16,005)
Net income/(loss) attributable to Phoenix New Media Limited	263,091	73,584	80,611	37,472	(63,222)	(9,195)
Excluding:						
Share-based compensation	53,181	34,354	1,890	20,852	13,989	2,034
Loss/(income) from equity method investments, net of impairments	18,538	41,861	1,776	(6,296)	(5,352)	(778)
Gain on disposal of subsidiaries and acquisition of equity investments	(29,660)					
Gain on disposal of an equity investment and acquisition of available-for-sale debt investments		(4,643)				
Non-GAAP adjusted net income/(loss) attributable to Phoenix New Media Limited	305,150	145,156	84,277	52,028	(54,585)	(7,939)

Currency Translation and Exchange Rates

We have translated certain Renminbi, or RMB, amounts included in this annual report on Form 20-F into U.S. dollars for the convenience of the readers. The rate we used for the translations was RMB6.8755 = US$1.00, which was the noon buying rate on December 31, 2018 as set forth in the H.10 weekly statistical release of the Federal Reserve Board. The translation does not mean that RMB could actually be converted into U.S. dollars at that rate.

B. Capitalization and Indebtedness

Not required.

C. Reasons for the Offer and Use of Proceeds

Not required.

D. Risk Factors

Risks Relating to Our Business and Industry

Due to the rapidly evolving market in which we operate, our historical results may not be indicative of our future performance and there can be no assurance that we will be able to meet internal or external expectations of future performance.

Our Internet media convergence business model is new in China, where the Internet industry is rapidly evolving and new products, new business models and new players emerge on a regular basis, and we may not be able to achieve results or growth in future periods as we did in past periods. Due to the rapidly evolving market in which we operate, our historical year-over-year and quarter-over-quarter trends may not provide an accurate or reliable indication of our future performance. For certain lines of our business, we have experienced high growth rates in the past and there may be expectations that these growth rates will continue. For other lines of our business, we have experienced declining trends. Our ability to achieve and maintain profitability depends on, among other factors, the growth of the Internet advertising market and mobile Internet services industry in China, our ability to maintain cooperative relationships with Phoenix TV and mobile operators, our ability to control our costs and expenses and the continued relevance and usage of our various paid services. We may not be able to achieve or sustain profitability on a quarterly or annual basis. Accordingly, our historical growth rates may not be indicative of our future performance. In addition, our online advertising business may suffer from price competition from other online advertising companies. We may have to reduce our profit margins or operate at a loss in order to adequately fund critical innovations that we believe will create value for our company and strengthen our market position over the long term. In the past our operating results have failed to meet expectations of industry analysts and investors, and our future operating results may also fail to meet such expectations. There can be no assurance that we will be able to meet internal or external expectations of future performance, and our share price may decline as a result of any failure to meet such expectations.

We expect to continue to rely on advertising to drive a significant portion of our future revenues, and if we fail to retain existing advertisers or attract new advertisers for our advertising services, our business, operating results and growth prospects could be materially affected.

In 2016, 2017, and 2018, we generated 85.3%, 85.9% and 87.0% of our total revenues from advertising services, respectively. Going forward, we expect our net advertising revenues to contribute an increasing portion of our total revenues. Our ability to generate and maintain substantial advertising revenues will depend on a number of factors, many of which are ultimately beyond our control, including but not limited to:

- the acceptance of online (including mobile and PC-based) advertising as an effective way for advertisers to market their businesses;

- the maintenance and enhancement of our brand;

- the maintenance and development of advertising technology, such as the maintenance of advertising data base and advertising placement platform, and the ability to prevent computer virus attack;

- the maintenance and development of our programmatic advertising platforms. We launched our self-developed demand-side platform, or DSP, *Fengyu* ( )in the second quarter of 2017 and our revenue generated from programmatic advertising has increased significantly since then. In addition, we launched *Feng Yi* ( ) in the first quarter of 2018, another customizable marketing solution, catering to premium advertising demands to help our brand advertising clients track and improve the performance of their apps. The global macroeconomic uncertainties, more stringent local regulations on advertisements and more intense competition may slowdown the growth of our programmatic advertising platforms. Our ability to maintain and upgrade Fengyu, Feng Yi and their related platforms, such as data management platform and advertisement exchange platform is crucial to our advertising services and we cannot assure you that such revenue generated from our programmatic advertising platforms will not decline in the future;

Table of Contents

- the development of independent and reliable means of measuring online traffic and verifying the effectiveness of our online advertising services;

- the development and retention of a large user base with attractive demographics for advertisers; and

- our ability to have continued success with innovative advertising services.

Our advertisers may choose to reduce or discontinue their business with us if they believe their advertising spending has not generated or would not generate enough sales to end customers or has not improved or would not effectively improve their brand recognition. In addition, certain technologies could potentially be developed and applied to block the display of our online advertisements and other marketing products on PC websites, mobile applications and mobile websites, which may in turn cause us to lose advertisers and adversely affect our operating results. Moreover, changes in government policies could restrict or curtail our online advertising services. Failure to retain our existing advertisers or attract new advertisers for our advertising services could seriously harm our business, operating results and growth prospects.

We may not be successful in growing our mobile Internet related business and our revenue growth could be negatively impacted.

Mobile Internet services and applications, is an emerging market in China. The growth of this market and the level of demand and market acceptance of our services are subject to many uncertainties. The development of this market and our ability to derive revenues from this market depends on a number of factors, some of which are beyond our control, including but not limited to:

- the growth rate of mobile Internet industry in China;

- changes in consumer demographics and preferences;

- development in mobile device platform technologies and mobile Internet distribution channels;

- changes in government policies, regulations or their enforcement with respect to various types of mobile Internet services and applications; and

- potential competition from more established companies that decide to enter the mobile Internet market.

We rely in part on application marketplaces, Internet search engines, navigation sites, web browsers and pre-installations on handsets to drive traffic to our PC websites, mobile applications and mobile websites, and if we fail to appear near the top of such search results or rankings or to retain partnership with certain handset manufacturers, traffic to our PC websites, mobile applications and mobile websites could decline and our business and operating results could be adversely affected.

We rely on application marketplaces, such as Apple s iOS App Store, and other handset manufactures Android App Store, to drive downloads of mobile applications of our products, including ifeng News, ifeng Video, and the digital reading application Fanyue Novel and Tadu Apps, which include but are not limited to Tadu Literature Application ( ), Country Novel Application ( ) and Peach Novel Application ( ) own Yitian Xindong Network Technology Co., Ltd., or Yitian Xindong. In the future, iOS App Store, Android stores or other operators of application marketplaces may make changes to their marketplaces which could hinder or impede access to our products and services. We also depend in part on Internet search engines, navigation sites and web browsers, such as Baidu, Sougou, Hao123, Hao360, UC Browser, 360 Browser and Cheetah Browser, to drive traffic to our PC websites and referrals to our mobile applications and mobile websites. For example, when a user types an inquiry into a search engine, we rely on a high organic search result ranking of our webpages in these search results to refer users to our websites. However, our ability to maintain high organic search result rankings is not totally within our control. Our competitors search engine optimization, or SEO, efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies in a way that would adversely affect our search result rankings. If Internet search engines modify their search algorithms or other methodologies in ways that are detrimental to us, or if our competitors SEO efforts are more successful than ours, the growth in our user base could be adversely affected. In addition, navigation websites or web browsers might reduce the recommendation of our products for various reasons from time to time.

We also rely on pre-installations on handsets to increase traffic to our mobile applications. By partnering with mobile handset manufacturers, we can have our mobile applications exposed directly to our users without downloading from application stores once they buy certain handsets. In this way, users are more inclined to use our mobile applications for convenience reasons. Any reduction in the number of users directed to our PC websites, mobile applications and mobile websites through application marketplaces, Internet search engines, navigation sites, web browsers and pre-installations could harm our business and operating results.

If we are unable to successfully expand our mobile strategy and increase our mobile advertising revenues, our business, operating results and growth prospects could be materially affected.

Use of mobile devices for consumption of news and other media content by consumers in China has been increasing rapidly in recent years. This shift towards mobile has brought with it both challenges and opportunities. We encountered weaker demand for PC-based advertising in 2017 and 2018 but achieved year-over-year growth in mobile advertising revenues during the same period. We see mobile devices as the primary gateway for news consumption going forward and our ability to maintain and increase our mobile advertising revenues will be critical to our future business prospects. While we are taking measures to expand our user base across our various mobile applications, optimize our targeting technology and integrate next-generation high-efficiency advertising solutions, there can be no assurance that these measures will be effective. User preferences and behaviors on mobile devices are rapidly evolving and we may not be able to successfully adapt to these changes. The variety of technical and other configurations across different mobile devices, platforms and applications also increases the challenges associated with our mobile expansion. Although we have taken strict control over operating expenses, we have witnessed significant increase in our traffic acquisition expenses. Our traffic acquisition expenses may continue to increase in the future which will adversely impact our financial results. Our mobile strategy is also subject to risks relating to changes in government policies, regulations or their enforcement with respect to mobile Internet services and applications. Any change to laws and regulations applicable to the mobile Internet industry, such as those relating to content, user privacy, pricing, copyrights and distribution, may impede the growth of mobile Internet in China or make it more difficult for us to carry out our mobile advertising business. If we cannot successfully grow our user base and capitalize on emerging monetization opportunities on mobile devices, we may not be able to maintain or grow our advertising revenues, which could materially and adversely affect our operating results and growth prospects.

While we recently entered into a share purchase agreement to sell a substantial part of our investment in Yidian Zixun, we may not be able to complete the proposed transaction and our financial position, results of operation and ADS price could be materially and adversely affected.

We made substantial investments in Particle Inc., or Particle, in the form of investments and loans in the past. Particle operates Yidian Zixun ( ), or Yidian, a personalized news and life-style information application in China that allows users to define and explore desired content on their mobile devices. As of the date hereof, we held Series B, Series C and Series D1 convertible redeemable preferred shares of Particle, which had been accounted for as available-for-sale debt investments, representing an aggregate of approximately 37.63% equity interest of Particle on an as-if converted basis. The fair value of our available-for-sale debt investments in Particle was RMB1,959.5 million (US$285.0 million) as of December 31, 2018. In March 2019, we entered into a share purchase agreement with Run Liang Tai Management Limited, or Run Liang Tai, to sell 32% of the total outstanding shares of Particle to Run Liang Tai and its designated entities, or the proposed buyers, for a total consideration of US$448 million in cash. We have already received a cash deposit of US$100 million from the proposed buyers. However, closing of the transaction is subject to various conditions, many of which are beyond our control. As such, we may not be able to complete the proposed transactions, we may not be able to receive the US$448 million consideration provided in the purchase agreement, and we may be required to refund the deposit of US$100 million we have received together with interests. We may even be required to pay liquidated damages of US$40 million and otherwise fully compensate the proposed buyers if we unilaterally decide to terminate this transaction or materially breach our representations, warranties and obligations under the purchase agreement. We will also be required to pay the proposed buyers additional compensation calculated at an annual rate of 6% for the period in which we have held the US$100 million of deposit if this transaction fails to close before July 22, 2019 or within such longer period as agreed by the parties due to failure to obtain approvals by the board of directors and shareholders of Phoenix TV for this transaction. See Item 4. Information on the Company C. Organizational Structure Our Corporate Structure. Any of these will deprive us of the opportunity to realize a significant amount of gain from investment in Particle and may have a material adverse effect on our financial position, results of operation and our ADS price. In addition, if we fail to complete the proposed transactions, we may not be able to negotiate better or comparable terms or at all with other potential buyers either. Finally, if the proposed transactions are completed, we will become a minority shareholder in Particle and may not be able to maintain collaboration with Particle to implement our mobile strategy, which could adversely affect our mobile business.

Newsfeed advertising is becoming an important mobile advertising format in China. If we are unable to successfully develop our newsfeed advertising solution and adapt to new changes in advertising formats and trends, our mobile advertising revenues and growth may be materially and adversely affected.

Newsfeed advertising is the practice of constantly updating lists of advertisements alongside news and information. It effectively helps mobile applications enlarge their advertising inventory by inserting advertisements into the flow of content, while improving the user experience based on native appearance and contextual relevance, implying greater monetization potential. We expect newsfeed advertising to maintain strong growth momentum and become an increasingly important mobile advertising format in China. While we had developed and added newsfeed advertising into our mobile applications and mobile websites in late 2016, we are facing an increasingly competitive environment. For example, several mobile applications of other companies, such as Jinri Toutiao, Tiantian Kuaibao and QQ news (Tencent), UC Toutiao (Alibaba) and Baidu app, are all competing in newsfeed advertising. If we are unable to successfully develop our newsfeed advertising solution and deliver better return on investment, or ROI, to our advertising clients, our future mobile advertising revenues may be materially and adversely affected. Except for newsfeed advertising, we believe that more types of innovative mobile advertising formats may emerge in the future. If we are unable to swiftly develop and adapt to new changes in advertising formats and trends, our mobile advertising revenues may be materially and adversely affected.

Any failure to retain large advertising agencies or attract new agencies on reasonable terms could materially and adversely affect our business. If advertising agencies demand higher service fees, our gross margin may be negatively affected.

Approximately 66.4%, 78.5% and 80.2% of our net advertising revenues in China were derived from advertising agencies in 2016, 2017 and 2018, respectively. We primarily serve our advertisers through advertising agencies and rely on these agencies for sourcing our advertisers and collecting advertising revenue. In consideration for these agencies services, the agencies earn advertising agency service fees which are deducted from our gross advertising revenues. While advertising agencies in China commonly increase their agency service fees on a sliding scale basis along with increased volume of business, if our agency service fees increase at a materially disproportional rate relative to our gross advertising revenues, our operating results may be negatively affected. We do not have long-term or exclusive arrangements with these agencies, and we cannot assure you that we will continue to maintain favorable relationships with them. If we fail to maintain favorable relationships with large advertising agencies or attract additional agencies, we may not be able to retain existing advertisers or attract new advertisers and our business and operating results could be materially and adversely affected.

Over the years, there has been some consolidation among advertising agencies in China. If the consolidation trend continues and the market is effectively controlled by a small number of large advertising agencies, such advertising agencies may be in a position to demand higher advertising agency service fees based on increased bargaining power, which could reduce our net advertising revenues.

If we fail to continue to anticipate user preferences and provide high quality content that attracts and retains users, or if we have to cease providing certain content in order to comply with changing regulatory requirements, we may not be able to generate sufficient user traffic to remain competitive.

Our success depends on our ability to generate sufficient user traffic through the provision of attractive content. If we are not able to license or otherwise obtain popular premium content (such as we-media content, professionally-generated content, or PGC, and user-generated content, or UGC, etc.) at commercially reasonable terms, if our desired premium content becomes exclusive to our competitors, or if we are not able to continue to use Phoenix TV s content, the attractiveness of our offerings to users may be severely impaired.

We may also be prevented from providing certain content to our users due to regulatory requirements or sanctions. For example, we received a public notice issued by the State Administration of Press, Publication, Radio, Film and Television of the People s Republic of China, or the SAPPRFT, on June 22, 2017 in connection with our and certain other Internet companies regulatory non-compliances. The notice required us to suspend our ifeng video and audio services due to our lack of the Internet audio-visual program transmission license and our certain commentary programs that violates government regulations. We have cooperated with SAPPRFT to make the necessary changes to our ifeng video and audio services. We are not sure when we can distribute this kind of content again, and whether our video and audio services that provide other content will not be ordered to suspend again in the future.

We also produce content in-house, and intend to continue to invest resources in producing original content. If we are unable to continue to procure premium and distinctive licensed content or produce in-house content that meets users tastes and preferences, we may lose users, and our operating results may suffer. In addition, we rely on our team of skilled editors to edit and repackage our sourced content in a timely and professional manner for our users and any deterioration in our editing team s capabilities or losses in personnel may materially and adversely affect our operating results. If our content fails to cater to the needs and preferences of our users, we may suffer from reduced user traffic and our business and operating results may be materially and adversely affected.

If we have to limit or suspend our services in order to comply with changing and increasingly stringent regulatory requirements, our business, financial condition and results of operation may be materially adversely affected.

Recently, regulatory authorities in China have increased their supervision of content platforms similar to our website and mobile applications. In addition to the contents that are considered to be violating PRC laws and regulations, such oversight tends to pay more attention to content that is or may be deemed misleading, obscene, pornographic, detrimental, and/or contradicting to social values and moral prevailing in China. A finding of such violation by the regulatory authority may cause the operator of the platform to be subject to penalties and other administrative actions. We have received and may continue to face regulatory inquiries and oral warnings from relevant regulatory authorities from time to time. In a couple of instances, the regulatory authority has ordered suspension of downloads of our mobile applications and prohibited us from providing any update to some of our content for a short period of time. From late September 2018, we temporarily suspended the services provided through our ifeng News mobile application and wireless application protocol website, or WAP website, as well as our general news and finance channel on ifeng.com for two weeks, and our technology channel on ifeng.com for 30 days, in compliance with a notice from the regulatory authority directing us to do so. We cannot assure you that similar events will not occur in the future. In particular, we may have to limit or suspend some or all of our services due to changing regulatory requirements or new government initiatives from time to time. We cannot predict the duration or potential impact of such limitation or suspension either. Any of these events could severely impair the attractiveness of our applications and websites to users, reduce our user traffic and affect our revenue, and our business, financial condition and results of operation may be materially adversely affected.

If we fail to successfully develop and introduce new products and services to meet the preferences of users, our competitive position and ability to generate revenues could be harmed.

The preferences of viewers are continuously evolving and we must continue to develop new products and services. If we fail to react to changes in user preferences in a timely manner or fall behind our competitors in providing innovative products and services, we may lose user traffic, which would negatively affect our operating results. In addition, the planned timing or introduction of new products and services is subject to risks and uncertainties. Actual timing may differ materially from original plans. Unexpected technical, operational, distribution or other problems could delay or prevent the introduction of one or more of our new products or services. Moreover, we cannot assure you that our new products and services will achieve widespread market acceptance or generate incremental revenues. At the same time, other new media providers may be more successful in developing more attractive products and services. If our efforts to develop market and sell new products and services to the market are not successful, our financial position, operating results and cash flows could be materially adversely affected, the price of our ordinary shares could decline and you could lose part or all of your investment.

In addition, due to the tightened regulations in the media industry, the services that we may provide to users may be subject to limitations and we may not be able to roll out new products and services under such regulatory environment. We have been continuously adjusting our business in response to such regulatory changes. However, if we fail to successfully diversify our products and services, our business, financial condition and operating results may be adversely affected.

As devices other than personal computers, such as mobile phones, tablets and other Internet-enabled mobile devices, are increasingly used to access the Internet, we have to develop products and applications for such devices if we are to maintain or increase our market share and revenues, and we may not be successful in doing so.

Devices other than personal computers, such as mobile phones, tablets, wearable devices and other Internet-enabled mobile devices, are used increasingly in China and in overseas markets to access the Internet. We believe that, for our business to be successful, we will need to design, develop, promote and operate new products and applications that will be compatible with such devices and attractive to users. The design and development of new products and applications may not be successful. We may encounter difficulties with the development and installation of such new products and applications for mobile devices, and such products and applications may not function smoothly. As new devices are released or updated, we may encounter difficulties in developing and upgrading our products or applications for use on mobile devices and we may need to devote significant resources to the creation, support and maintenance of such products or applications for mobile devices, and we may not be successful in doing so. If these efforts are unsuccessful and we are thereby unable to maintain or increase our market share and revenues, our business, operating results and growth prospects could be materially and adversely affected.

We operate in highly competitive markets and we may not be able to compete successfully against our competitors.

We face significant competition in the new media industry in China, including competition from major Internet portals, mobile news and information application operators, Internet video companies, online video sites of major TV broadcasters, online digital reading companies, interactive and social network service providers, online and mobile gaming companies, mobile Internet services providers and other companies with strong media, online video and paid services businesses. Some of our competitors have longer operating histories and significantly greater financial resources than we do, which may allow them to attract and retain more users and advertisers. Our competitors may compete with us in a variety of ways, including by obtaining exclusive online distribution rights for popular content, conducting more aggressive brand promotions and other marketing activities and making acquisitions to increase their user bases. If any of our competitors achieves greater market acceptance or are able to offer more attractive online content, interactive services or paid services than us, our user traffic and our market share may decrease, which may result in a loss of advertisers and have a material and adverse effect on our business, financial condition and operating results. We also face competition from traditional advertising media such as television, newspapers, magazines, billboards and radio.

We have contracted with third-party content providers and we may lose users and revenues if these relationships deteriorate or arrangements are terminated. If third-party content providers increase their content licensing fees, our operating results may be negatively affected.

We have relied and will continue to rely mostly on third parties for the content we distribute across our channels. If these parties fail to develop and maintain high-quality and engaging content or raise their licensing fees, or if a large number of our existing relationships are terminated, we could lose users and advertisers and our brand could be materially harmed. License fees for third-party content showed an increasing trend in 2018. If such license fees continue to increase significantly in the future, our income from operations may be negatively affected. In addition, the Chinese government has the ability to restrict or prevent state-owned media from cooperating with us in providing certain content to us, which, if exercised, would result in a significant decrease in the amount of content we are able to source for our PC websites, mobile applications and mobile websites and negatively impact our operating results.

We may not be able to continue to receive the same level of support from Phoenix TV Group in the future. We could lose our license and priority over any third party to use Phoenix TV Group s content and licensed trademarks, which would have an adverse effect on our paid services business, and would also negatively affect our video advertising business. Together, these impacts could have an adverse effect on our business and operating results.

Phoenix TV, our majority shareholder, is a leading global Chinese language TV network broadcasting premium content globally and into China. In November 2009, our PRC subsidiary, Fenghuang On-line, entered into a cooperation agreement with Phoenix TV, or the Phoenix TV Cooperation Agreement, under which Fenghuang On-line and Phoenix TV agreed to certain cooperative arrangements in the areas of content, branding, promotion and technology. Pursuant to the Phoenix TV Cooperation Agreement, in November 2009 each of Tianying Jiuzhou and Yifeng Lianhe entered into a program content license agreement, or Content License Agreement, with Phoenix Satellite Television Company Limited and a trademark license agreement, or Old Trademark License Agreement, with Phoenix Satellite Television Trademark Limited. Considering the significant growth and changes in our business since execution of these agreements in 2009, we and Phoenix TV Group entered into a new set of agreements in May 2016 and December 2017, or the New Agreements, to amend and replace the previous agreements and provide the terms of our continued cooperation. The New Agreements include Program Resource License Agreements and Program Text/Graphics Resource License Agreements, or the Program License Agreements, between Phoenix Satellite Television Company Limited and each of Tianying Jiuzhou, Yifeng Lianhe and Fengyu Network, and new trademark license agreements by and between Phoenix Satellite Television Trademark Limited and each of Tianying Jiuzhou and Yifeng Lianhe, or the New Trademark License Agreements. In addition, Phoenix Satellite Television Trademark Limited and Tianying Jiuzhou entered into four supplementary agreements to the New Trademark License Agreements in April 2018, August 2018 and October 2018, to grant Tianying Jiuzhou the right to sublicense certain trademarks to agents that operate local websites of our Company, which will expire in December 2020.

Unlike the previous agreements, the New Agreements do not grant us the right to sublicense Phoenix TV Group s copyrighted content to third parties.

We benefit from the license granted to Tianying Jiuzhou, Yifeng Lianhe and Fengyu Network by Phoenix Satellite Television Company Limited, a wholly owned subsidiary of Phoenix TV, to use Phoenix TV Group s copyrighted content from three television channels of Phoenix TV Group for our various media services in China (excluding Hong Kong, Macau and Taiwan). The fees payable to Phoenix TV Group by us for all content licenses described above is RMB10.0 million for the first year of the agreements, which will incrementally increase by 15% for each subsequent year of the agreements. Each of the parties to the Program License Agreements has the right to terminate the Program License Agreements before their expiration date by 6-month prior written notice to the other party. In addition, each of the Program License Agreements can be terminated earlier (i) by the non-breaching party in the event of a breach and if the breach is not cured within ten business days after receipt of notice of breach from the non-breaching party, (ii) in the event of bankruptcy or the cessation of business operations of either party, or a change in the shareholder or equity structure of the relevant affiliated consolidated entity, other than in connection with the contractual arrangements, (iii) by Phoenix Satellite Television Company Limited in the event that our shareholders or ownership structure change so that the shares held by Phoenix TV Group account for 50% or less of our actual total issued shares, or in the event that we lose control of Tianying Jiuzhou, Yifeng Lianhe or Fengyu Network; or if Tianying Jiuzhou, Yifeng Lianhe or Fengyu Network, as applicable, ceases its business operation; (iv) if either party s performance of its obligations is held unlawful under PRC law; or (v) if an event occurs that adversely affects the performance by either party of its obligations and upon written notice by the unaffected party. The Program License Agreements will, unless extended further, expire on May 26, 2019.

If the aforementioned existing agreements expire and we cannot reach new agreements with Phoenix TV Group before the expiration, we may not be able to obtain rights to use Phoenix TV Group s content and licensed trademarks on our platforms on commercially reasonable terms, with any priority or at all, which would have an effect on our paid services business, and may also negatively affect our video advertising business. Together, these impacts could have an adverse effect on our business, operating results and financial condition.

We received a public notice issued by SAPPRFT on June 22, 2017 in connection with our and certain other internet companies regulatory non-compliances. The notice required us to suspend our ifeng video and audio services due to our lack of the Internet audio-visual program transmission license and our certain commentary programs that violated government regulations. We have cooperated with SAPPRFT to make the necessary changes to our ifeng video and audio services. We are not sure when we can distribute this kind of content again, and whether our video and audio services that provide other content will not be ordered to suspend again in the future.

In addition, Tianying Jiuzhou and Yifeng Lianhe are able to use certain of Phoenix TV Group s logos pursuant to the Old Trademark License Agreement and the New Trademark License Agreements. We believe that our use of these logos helps to affiliate us with the brand of Phoenix TV Group, which helps to enhance our own brand. Different from the Old Trademark License Agreement, however, the New Trademark License Agreements no longer allow us to use the double-phoenix logo of Phoenix TV Group on a stand-alone basis and increased the annual license fee payable to Phoenix TV Group from a total of US$10,000 to the greater of 2% of the annual revenues of Tianying Jiuzhou or Yifeng Lianhe (as the case may be) or US$100,000 for each company. Tianying Jiuzhou and Yifeng Lianhe had total annual revenues of RMB298.0 million (US$43.3 million) in 2018 in accordance with U.S.GAAP, which meant that the annual license fee payable to Phoenix TV Group was RMB6.0 million (US$0.9 million) in 2018. Each of the New Trademark License Agreements has an initial term of three years and may be extended prior to expiration of its term with the written confirmation of Phoenix TV Group, and may be terminated earlier by Phoenix TV Group in the event of a material breach by us of any covenant or a material failure by us to perform any of our obligation and if the breach or failure, as applicable, is not rectified within a reasonable time or ten days of receipt of written notice from Phoenix TV Group. For example, we may in practice use such logos beyond the scope authorized by Phoenix TV Group, which may constitute a breach of such agreements and cause Phoenix TV Group to terminate such New Trademark License Agreements. We cannot assure you that we will be able to continue to use Phoenix TV Group s logos in order to help maintain our brand affiliation with Phoenix TV Group. If our brand image deteriorates as a result of a weaker brand affiliation with Phoenix TV Group, our business and the price of your ADSs could be negatively affected.

On March 17, 2017, the State Administration of Taxation issued the *Announcement of the State Administration of Taxation on Issuing the Administrative Measures for Special Tax Adjustment and Investigation and Mutual Consultation Procedures*, or SAT Circular 6, which became effective on May 1, 2017, and replaced the *Circular on Enterprise Income Tax Issues concerning Disbursement of Expense by Enterprises to Overseas Related Parties*. Pursuant to SAT Circular 6, tax authorities carry out special tax adjustment monitoring and management of enterprises via review of the reporting of connected transactions, management of contemporaneous documentation, profit level monitoring and other means. When enterprises are found to have special tax adjustment risks, they will send notices to such enterprises, suggesting the existence of a tax risk. The tax authorities will pay special attention to an enterprise with the risk characteristics in the implementation of the special tax investigation. Such risk characteristics include but are not limited to: (i) engaging in connected transactions with affiliates in countries (regions) subject to lower tax rates; (ii) no distribution or reduced distribution of profit without reasonable business needs by an enterprise that is established in a country (region) where the actual tax burden is less than 12.5% controlled by resident enterprises and/or Chinese resident individuals; or (iii) other tax planning or arrangements that do not have reasonable business purposes. According to SAT Circular 6, payments made by our PRC subsidiaries and affiliated consolidated entities to Phoenix TV or its offshore affiliates under the above arrangements may be subject to stringent supervision by competent tax authority.

Any negative development in Phoenix TV s market position, harm to Phoenix TV s brand or operations, or regulatory actions or legal proceedings affecting Phoenix TV s intellectual properties on which our business relies could materially and adversely affect our business

and operating results.

Our business benefits significantly from our association with Phoenix TV s brand. Many of our users and advertisers are attracted to the Phoenix ( ) brand, with which our brand, ifeng.com ( ) shares a similar Chinese name. Any negative development in Phoenix TV s market position c recognition may materially and adversely affect our marketing efforts and the popularity of our business. Any negative development in Phoenix TV s operations or attractiveness to users or advertisers may materially and adversely affect our business and operating results. Moreover, as we benefit from the content licensed to us by Phoenix TV, any regulatory actions or legal proceedings against Phoenix TV related to such content could have a material adverse impact on our operating results.

Table of Contents

If we are unable to keep pace with rapid technological changes in the PC and mobile Internet industries, our business may suffer.

The PC and mobile Internet industries have been experiencing rapid technological changes. For example, with the advances of search engines and social networking sites, Internet users may choose to access information through search engines or social networking sites instead of web portals or similar websites. With the advances in Internet interactivity, the interests and preferences of Internet users may increasingly shift to UGC and we-media content, such as WeChat, blogs, micro-blogs, and short videos. As broadband becomes more accessible, Internet users may increasingly demand content in pictorial, audio-rich and video-rich format. With the development of the mobile Internet in China, mobile users may shift from the current predominant text messaging services and other mobile value-added services, or MVAS, to newer services, such as mobile video streaming and mobile digital reading services. Our future success will depend on our ability to anticipate, adapt and support new technologies and industry standards. If we fail to anticipate and adapt to these and other technological changes, our market share and our profitability could suffer.

Our lack of an Internet audio-visual program transmission license has exposed, and may continue to expose, us to administrative sanctions, including the banning of our paid mobile video services and video advertising services, which would materially and adversely affect our business and results of operation.

The PRC government regulates the Internet industry extensively, including foreign ownership of, and the licensing requirements pertaining to, companies in the Internet industry. A number of regulatory agencies, including the Ministry of Culture and Tourism, or the MCT (formerly the Ministry of Culture, or MOC), the Ministry of Industry and Information Technology, or MIIT, the State Administration of Radio and Television, or SAPPRFT, (formerly the Generate Administration of Press, Publication, Radio, Film and Television, or GAPPRFT), the State Council Information Office, or the SCIO, the Cyberspace Administrator of China, or CAC, and other governmental authorities, jointly regulate all major aspects of the Internet industry. Operators are required to obtain various government approvals and licenses prior to providing the relevant Internet information services.

Pursuant to the *Administrative Provisions on Internet Audio-visual Program Service*, or the Audio-visual Program Provisions, which was issued by the State Administration of Radio, Film and Television (the predecessor of SAPPRFT), or SARFT and MIIT on December 20, 2007, came into effect on January 31, 2008 and was revised on August 28, 2015, online transmission of audio and video programs requires an Internet audio-visual program transmission license and online audio-visual service providers must be either wholly state-owned or state-controlled. In a press conference jointly held by SARFT and MIIT to answer questions with respect to the Audio-visual Program Provisions in February 2008, SARFT and MIIT clarified that online audio-visual service providers that already had been operating lawfully prior to the issuance of the Audio-visual Program Provisions may re-register and continue to operate without becoming state-owned or controlled, provided that such providers have not engaged in any unlawful activities. See Item 4. Information on the Company B. Business Overview Regulatory Matters Regulation of Online Transmission of Audio-Visual Programs.

We started offering Internet audio-visual program services through Tianying Jiuzhou in China prior to the issuance of the Audio-visual Program Provisions. Tianying Jiuzhou submitted an application to SAPPRFT to apply for the Internet audio-visual program transmission license when the relevant regulation came into effect. However, as of the date of this annual report, SAPPRFT has not issued Tianying Jiuzhou an Internet audio-visual program transmission license. Although we have been communicating with the relevant government authorities, such government authorities have not informed us as to when they will make a decision on whether to issue such license to Tianying Jiuzhou. In June 2017, SAPPRFT issued a notice requiring us to suspend our ifeng video and audio services due to our lack of Internet audio-visual program transmission license and certain commentary programs that violated government regulations. While we have been able to continue our video and audio operation notwithstanding the notice by cooperating with SAPPRFT to make the necessary changes to our ifeng video and audio services, complying with government regulation and continuing to improve the management and operation of the ifeng video and audio business, we cannot assure you that we will not receive similar or other notices or be subject to other penalties or disciplinary action from the relevant governmental authorities in the future regarding our dissemination of audio-visual programs through our PC websites, mobile applications and mobile websites without such license. We cannot assure you that Tianying Jiuzhou will be able to obtain the Internet audio-visual program transmission license. Based on the opinion of our PRC counsel, Zhong Lun Law Firm, due to Tianying Jiuzhou s lack of an Internet audio-visual program transmission license, the applicable local counterpart of SAPPRFT may issue further warnings, order us to rectify our violating activity and impose fines on us. In case of severe contravention as determined by SAPPRFT or its applicable local counterpart in its discretion, the applicable local counterpart of SAPPRFT may ban the violating operations, seize our equipment in connection with such operations and impose a penalty of one to two times the amount of the total investment in such operations. The banning of our paid mobile video services and video advertising services would materially and adversely affect our business and operating results.

Our lack of an Internet news license may expose us to administrative sanctions, including an order to cease our Internet information services or to cease the Internet access services provided by third parties to us. In 2018, approximately 89.1% of our total revenues were derived from Internet information services and services that relied on Internet access services from third parties.

We are required to obtain an Internet news license from CAC for the dissemination of news through our PC websites, mobile applications and mobile websites. See Item 4. Information on the Company B. Business Overview Regulatory Matters Regulation of Internet News Dissemination. Tianying Jiuzhou submitted an application to the CAC to apply for the Internet news license when the relevant regulation came into effect and we have been trying our best to obtain the license. However, as of the date of this annual report, the CAC has not issued an Internet news license to Tianying Jiuzhou. Based on the opinion of our PRC counsel, Zhong Lun Law Firm, as a result of Tianying Jiuzhou s lack of an Internet news license, the CAC or applicable cyberspace administrator at the provincial level may order us to cease our Internet information services or to cease the Internet access services provided by third parties to us and impose a fine on us of not more than RMB30,000. In 2018, approximately 89.1% of our total revenues were derived from Internet information services and services that relied on Internet access services from third parties; and therefore if we are ordered to cease such services, our business, financial condition and results of operation will be materially and adversely affected.

Table of Contents

Failure to obtain SAPPRFT s approval for introducing and broadcasting foreign television programs could have a material adverse effect on our ability to conduct our business.

Some of the video contents on our PC websites, mobile applications and mobile websites are foreign content. PRC law requires approval from SAPPRFT for introducing and broadcasting foreign television programs into China. In September 2004, SARFT promulgated certain regulations of the *Administrative Regulations on the Introduction and Broadcasting of Foreign Television Programs*, pursuant to which only organizations designated by SAPPRFT are qualified to apply to SAPPRFT or its authorized entities for the introduction or broadcasting of foreign television programs. In addition, on July 6, 2004, SARFT issued the *Measures for the Administration of Publication of Audio-Visual Programs through the Internet or Other Information Networks*, or the 2004 A/V Measures, which explicitly prohibit Internet service providers from broadcasting any foreign television program over an information network and state that any violation may result in warnings, monetary penalties or, in severe cases, criminal liabilities. On November 19, 2009, SARFT issued a notice which extended this prohibition to broadcasting over mobile phones. In December 2007 and March 2009, however, SARFT issued two notices which provide that certain foreign audio-visual programs may be published through the Internet provided that certain regulatory requirements have been met and certain permits have been obtained, thereby implying that the absolute restriction against broadcasting foreign television programs on the Internet as set forth in the 2004 A/V Measures has been lifted. On April 25, 2016, SAPPRFT issued the *Administrative Provisions on Audio-Visual Program Services through Private Network and Targeted Communication*, the 2016 A/V Provisions, which replaced the 2004 Internet A/V Measures. The 2016 A/V Provisions does not explicitly specify whether broadcasting foreign television program is permitted. See Item 4. Information on the Company B. Business Overview Regulatory Matters Regulation of Foreign Television Programs and Satellite Channels. As of the date of this annual report, we have not obtained an approval from SAPPRFT for introducing and broadcasting foreign TV programs produced by certain foreign TV stations in China. We have made oral inquiries with SARFT, and were orally informed that such operations do not violate the regulations on the introduction and distribution of foreign TV programs. Therefore, there is considerable uncertainty as to whether we are permitted to transmit foreign television programs through the online video services that we offer. If SAPPRFT or its local branch requires us to obtain its approval for our introduction and online broadcasting of overseas TV programs, we may not be able to obtain such approval in a timely manner or at all. Based on the opinion of our PRC counsel, Zhong Lun Law Firm, in such case, the PRC government would have the power to, among other things, levy fines against us, confiscate our income, order us to cease certain content service, or require us to temporarily or permanently discontinue the affected portion of our business.

Failure to obtain certain permits for our advertising services that contain drug-related information would subject us to penalties.

Entities in China are not allowed to provide drug-related or medical care information services online before obtaining an Internet Medicine Information Service Qualification Certificate from the relevant local government agencies. See Item 4. Information on the Company B. Business Overview Regulatory Matters Regulation of Certain Internet Content. Certain of our advertising services contain drug-related information. We do not currently have such certificate, but have engaged an agency to assist us in applying for such certificate. We are in the process of undertaking the necessary steps for preparing this application. We cannot assure you that we may be able to obtain the certificate. Without them, we may be subject to administrative warnings, termination of any Internet drug-related services and online health diagnoses and treatment services on our PC websites, mobile applications and mobile websites, and other penalties that are not clearly provided for in the relevant regulations.

If we fail to obtain or maintain all applicable permits and approvals, or fail to comply with PRC regulations, relating to Internet publishing services and online games, our ability to conduct our digital reading business and online game business and certain other businesses could be affected and we could be subject to penalties and other administrative sanctions.

According to PRC regulations regulating Internet publishing services and online games, the provision of online novels and online games is deemed an Internet publication activity, therefore, a Network Publication Service License or a Network Publication Service License from

SAPPRFT is also required to operate digital reading business and online game business in China. In addition, pursuant to PRC regulations regulating online games, online games (including mobile games) are categorized as a type of online cultural product . Therefore, in order to operate an online game business, an operator should obtain an Online Culture Operating Permit from the MCT (with a business scope covering operation of online games). Furthermore, pursuant to the *Provisional Measures on the Administration of Online Games* promulgated by the MCT on June 3, 2010 and was amended on December 15, 2017, an online mobile games operator should make a filing with the MCT in respect of each domestic game within 30 days of commencing operations, and each online game must be screened by SAPPRFT by way of an approval process before it is first published and made publicly available. See Item 4. Information on the Company B. Business Overview Regulatory Matters Regulation of Online Cultural Activities, Online Games and Internet Music.

As of the date of this annual report, Tianying Jiuzhou has obtained an Internet Publication License from SAPPRFT with respect to books and periodicals published on the Internet, including the mobile Internet, and online and mobile games. However, none of Fengyu Network, Yitian Xindong, Yifeng Lianhe and Huanyou Tianxia has obtained an Internet Publication License or a Network Publication Service License. Tianying Jiuzhou, Yifeng Lianhe and Huanyou Tianxia have obtained Online Culture Operating Permits from the MCT with respect to its operation of online games. In addition, we license almost all of our online and mobile games from other game operators and share profits with these game operators. We require these game operators to obtain the requisite approvals from SAPPRFT, and make the filings with the MCT, for relevant online and mobile games. We cannot assure you that (i) Fengyu Network, Yitian Xindong, Yifeng Lianhe and Huanyou Tianxia can obtain a Network Publication Service License; or (ii) we or such game operators can obtain all the required approvals and complete the relevant filing procedures with the relevant government authorities for each game we operate in a timely manner or at all. If the relevant authority determines that we are in violation of the relevant laws and regulations regarding Internet publishing services or online games, it would have the power to, among other things, levy fines against us, confiscate our income and require us to discontinue our digital reading or online game business. In addition, if we were deemed to be in violation of the relevant laws and regulations regarding Internet publishing services or online games, SAPPRFT would have the ability to withdraw the Internet Publication License that it granted to Tianying Jiuzhou on April 15, 2011, which may affect, directly or indirectly, our ability to conduct our online digital reading services and game services.

Table of Contents

In addition, the MCT and the Ministry of Commerce, or MOFCOM, jointly issued in 2009 the *Notice on Strengthening the Administration of Online Game Virtual Currency*, or the Virtual Currency Notice, which requires online game operators to report the total amount of their issued virtual currency on a quarterly basis, and game operators are prohibited from issuing disproportionate amounts of virtual currency in order to generate revenues. The Virtual Currency Notice also reiterates that virtual currency can only be provided to users in exchange for an RMB payment and can only be used to pay for virtual goods and services of the issuers. We provide extra free virtual currencies to game users as they buy virtual currencies, which is not in compliance with the Virtual Currency Notice. Therefore, we may be ordered to remedy such noncompliance within the timeframe specified by the MCT or MOFCOM. If we fail to remedy any noncompliance within the specified timeframe, the MCT and MOFCOM would have the power to, among other things, levy fines against us, confiscate our income and order us to cease certain services.

Our business and operating results may be harmed by service disruptions, or by our failure to timely and effectively scale and adapt our existing technology and infrastructure.

The continual accessibility of our PC websites, mobile applications and mobile websites and the performance and reliability of our network infrastructure are critical to our reputation and our ability to attract and retain users, advertisers and partners. Any system failure or performance inadequacy that causes interruptions in the availability of our services or increases the response time of our services could reduce our appeal to users and consumers. Factors that could significantly disrupt our operations include system failures and outages caused by fire, floods, earthquakes, power loss, and telecommunications failures and similar events. Despite we have endeavored efforts to implement network security measures to our systems, it may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering, and security breaches related to the storage and transmission of proprietary information, such as personal information. If we were to suffer a sustained system failure or an extended decline in performance that interrupts or reduces speed of access to our services, our reputation may be harmed, we may fail to attract or retain users, advertisers and partners, and our business and operating results may be harmed as a result.

Security breaches or computer virus attacks could have a material adverse effect on our business prospects and operating results.

Any significant breach of security of our products could significantly harm our business, reputation and operating results. We have in the past experienced security breaches by third parties, including redirecting our user traffic to other websites, and we were able to rectify the security breaches without significant impact to our operations. However, we cannot assure you that our IT systems will be completely secure from future security breaches or computer virus attacks. Anyone who is able to circumvent our security measures could misappropriate proprietary information, including the personal information of our users. To cope with these circumventions, we have (i) organized a professional technical team in cyber security, who are experts in devising cyber security strategies, conducting security audits of operating source code, tracking and analyzing risks, and solving technology related troubles, (ii) communicated closely with several external security organizations, to acquire zero-day vulnerability information, (iii) purchased third-party security services, including vulnerability scanning services, and penetration and vulnerability testing every three years. Although we have already taken such measures, any circumvention of these security measures may still cause interruptions in our operations or damage our brand image and reputation, which could have a material adverse effect on our business prospects and operating results.

New technologies could block our advertisements, desktop clients and mobile applications and may enable technical measures that could limit our traffic growth and new monetization opportunities.

Technologies have been developed that can disable the display of our advertisements and that provide tools to users to opt out of our advertising products. Most of our revenues are derived from fees paid to us by advertisers in connection with the display of advertisements on webpages to our users. In addition, our traffic growth is significantly dependent on content viewing via mobile devices, such as smart phones and tablets. Technologies and tools for PCs and mobile devices, such as operating systems, Internet browsers, anti-virus software and other applications, as well as mobile application download stores could set up technical measures to direct away Internet traffic, require a fee for the download of our products or block our products all together, which could adversely affect our overall traffic and ability to monetize our services.

If we fail to maintain effective internal control over financial reporting, our ability to accurately and timely report our financial results in accordance with U.S. GAAP may be materially and adversely affected. In addition, investor confidence in us and the market price of our ADSs may decline significantly.

We are subject to reporting obligations under U.S. securities laws. Among other things, the United States Securities and Exchange Commission, or the SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, adopted rules requiring every public company, including us, to include a report from management on the effectiveness of its internal control over financial reporting in its annual report on Form 20-F starting in the annual report for its second fiscal year as a public company. In addition, beginning at the same time, an independent registered public accounting firm must attest to and report on the effectiveness of such public company s internal control over financial reporting. We were subject to these requirements for the first time with respect to our annual report on Form 20-F for the fiscal year ended December 31, 2012.

As of December 31, 2018, our management has concluded that our internal control over financial reporting is effective. See Item 15. Controls and Procedures Management s Annual Report on Internal Control over Financial Reporting. Our independent registered public accounting firm has issued an attestation report, which has concluded that our internal control over financial reporting is effective as of December 31, 2018.

However, if we fail to maintain effective internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. This could in turn result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ADSs. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to maintain compliance with Section 404 and other requirements of the Sarbanes-Oxley Act.

We may experience continued decline in demand for our MVAS business and any expected economic benefits from this business may not be realized.

In 2016, 2017 and 2018, revenues from our MVAS accounted for 8.1%, 7.4% and 4.9%, respectively, of our total revenues, due to lower demand from mobile users. For more information about our MVAS, see Item 4. Information of the Company B. Business Overview Our Channels Our Operations with the Telecom Operators. In addition, we cannot assure you that we will be successful in developing our MVAS business. Due to the uncertainties of our MVAS business and the MVAS industry in China, we may experience continued decline in demand for our MVAS business, and we expect that our MVAS business will contribute to an even smaller proportion of our future revenues. Any further decline in this business could have a negative impact on our business, financial condition and operating results.

We depend on China Mobile, a related party, and other PRC mobile telecommunications operators for the majority of our MVAS revenues, and any termination or deterioration of our relationship with these telecommunications operators may result in disruptions to our business operations and the loss of the majority of our MVAS revenues.

We derive majority of MVAS revenues, such as WVAS, mobile video, mobile newspaper, and mobile games from the provision of content or services through the networks of the PRC telecommunications operators. In particular, we rely primarily on the networks of China Mobile, a shareholder of Phoenix TV since August 2006 with an equity interest of 19.7% as of March 31, 2019 to deliver our services. In 2016, 2017 and 2018, we derived approximately 57.7%, 62.6% and 48.2% of our paid services revenues from China Mobile, respectively. Within these revenues, we generated a portion through fixed fee arrangements with China Mobile for our mobile newspaper services. The remainders of our MVAS revenues were derived from China United Telecommunications Corporation, or China Unicom, and China Telecommunications Corporation, or China Telecom.

We have entered into a series of agreements with China Mobile and other Chinese mobile operators and their provincial subsidiaries to provide MVAS through their networks. These mobile operators could terminate cooperation with us or refuse to perform their obligations to pay for the MVAS we provide under the terms of our agreements with them for a variety of reasons, including failure to meet specified performance standards, the provision of poor services that gives rise to a high level of customer complaints or the delivery of content that violates the relevant operator s policies and applicable law. In addition, our agreements with the mobile operators are generally for terms of one year or less. There is no assurance that we will be able to renew these agreements on commercially reasonable terms, or at all. If any of the Chinese mobile operators ceases to cooperate with us, it is unlikely that such operator s customers will continue to use our mobile services. In particular, if China Mobile ceases to cooperate with us, it is unlikely that we will be able to build up sufficient new customers through the networks of other Chinese mobile operators to develop a customer base comparable to that which we have developed through China Mobile. Due to our reliance on China Mobile and other Chinese mobile operators to deliver our MVAS to our customers, any termination or deterioration of our relationship with China Mobile or other Chinese mobile operators may result in severe disruptions to our business operations and the loss of the majority of our MVAS revenues, and could have a negative impact on our financial condition and operating results.

In addition, our negotiating leverage with China Mobile and other Chinese mobile operators is limited because China Mobile and other Chinese mobile operators operate the mobile networks through which a large number of service and content providers deliver their products to mobile phone users in China. We cannot assure you that such operators will not adopt business strategies that could have an adverse effect on our business. In addition, our ability to develop certain new MVAS businesses going forward may be restricted by the business policies of China Mobile or other Chinese mobile operations. Due to our limited negotiating leverage with these mobile operators, we cannot exert any influence on their business decisions. Therefore, we cannot assure you that China Mobile or other Chinese mobile operators will not implement business strategies or policies that could have a negative impact on our results of operation and financial condition, or limit our ability to grow our MVAS businesses in the future.

Our dependence on the billing systems and records of mobile operators may require us to estimate portions of our reported revenues and cost of revenues for most of our MVAS, which may require subsequent adjustments to our financial statements.

We depend on the billing systems and records of the telecommunications operators to record the volume of our MVAS provided, bill our customers, collect payments and remit to us our portion of the revenues. We record revenues based on monthly statements from the mobile operators confirming the value of our services that the mobile operators billed to customers during the month. Due to our past experience with the timing of receipt of the monthly statements from the mobile operators, we expect that we may need to rely on our own internal estimates for the portion of our reported revenues and cost of revenues for which we will not have received monthly statements. In such instances, our internal estimates would be based on our own internal data of expected revenues and related fees from services provided. As a result of such reliance on internal estimates, we may overstate or understate our revenues and cost of revenues for the relevant reporting period, and may be required to make adjustments in our financial reports when we actually receive the mobile operators monthly statements for such period. We endeavor to reduce the discrepancy between our revenue estimates and the revenues calculated by the mobile operators and their subsidiaries; however, we cannot assure you that these efforts will be successful. In addition, we generally do not have the ability to independently verify or challenge the accuracy of the billing systems of the mobile operators. We cannot assure you that any negotiations between us and mobile operators to reconcile billing discrepancies would be resolved in our favor or that our financial condition and operating results would not be materially and adversely affected as a result. Historically, there has been no significant difference between our revenue estimates and the mobile operators billing statements.

Table of Contents

Our quarterly revenues and operating results may fluctuate, which makes our operating results difficult to predict and may cause our quarterly operating results 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:

- China macro-economic conditions;
- our ability to maintain and increase user traffic;
- our ability to attract and retain advertisers;
- changes in the policies of mobile operators;
- changes in government policies or regulations, or their enforcement; and
- geopolitical events or natural disasters such as war, threat of war, earthquake or epidemics.

Our operating results tend to be seasonal. For instance, we may generate less revenue from brand advertising sales and paid services revenues during national holidays in China, in particular during the Chinese New Year holidays in the first quarter of each year. We may have higher net advertising revenues during the fourth quarter of each year primarily due to greater advertising spending by our advertisers near the end of the year when they spend the remaining portions of their annual budgets. In addition, advertising spending in China has historically been cyclical, reflecting overall economic conditions as well as the budgeting and buying patterns of our customers.

Our affiliated consolidated entities and their respective shareholders do not own all the trademarks used in their value-added telecommunications services, which may subject them to revocation of their licenses or other penalties or sanctions.

Pursuant to the *Notice on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services* issued on July 13, 2006 by MIIT, or the MIIT 2006 Notice, domestic telecommunications service providers are prohibited from leasing, transferring or selling telecommunications business operating licenses to any foreign investors in any form, or providing any resources, sites or facilities to any foreign investors for their operation of telecommunications businesses in China. According to the MIIT 2006 Notice, the holder of a value-added telecommunications business operating license, or ICP License, or its shareholders must directly own the domain names and trademarks used in their value-added telecommunications business operations. After the promulgation of the MIIT 2006 Notice in July 2006, the MIIT issued a subsequent notice in October 2006, or the MIIT October Notice, urging value-added telecommunication service operators to conduct self-examination regarding any noncompliance with the MIIT 2006 Notice prior to November 1, 2006. Pursuant to the MIIT October Notice, ICP License-holders who were not in compliance with the MIIT 2006 Notice were allowed to submit a self-correction report to the local provincial-level branch of MIIT by November 20, 2006.

Tianying Jiuzhou and Yifeng Lianhe are currently engaged in the provision of value-added telecommunications services and each of them has obtained ICP Licenses from MIIT or its local counterpart in Beijing. In addition, Tianying Jiuzhou owns our material domain names, including ifeng.com, and, as of March 31, 2019, owned six registered trademarks that were transferred to it from Phoenix Satellite Television Trademark Limited. Yifeng Lianhe owned 20 registered trademarks, and Tianying Jiuzhou and Yifeng Lianhe continue to use certain of Phoenix TV s logos that are licensed from Phoenix Satellite Television Trademark Limited, a wholly owned subsidiary of Phoenix TV, in their value-added telecommunications services. Therefore, we are not currently in compliance with the MIIT 2006 Notice.

We have designed propriety logos for use in the respective businesses of Tianying Jiuzhou and Yifeng Lianhe. As of March 31, 2019, Tianying Jiuzhou owned 513 PRC registered trademarks, six of which were transferred from Phoenix Satellite Trademark Limited, and Yifeng Lianhe owned 20 PRC registered trademarks. In addition, Tianying Jiuzhou had submitted 242 registration applications relating to 52 logo designs to the PRC Trademark Office. Despite our having registered many trademarks used in our value-added telecommunications business operations, we may continue to use certain of Phoenix TV s logos that are licensed from Phoenix Satellite Television Trademark Limited.

Although neither of our affiliated consolidated entities has been required by the MIIT or its local counterpart to obtain and hold the ownership of the relevant trademarks related to our value-added telecommunications services to date, the provincial-level counterpart of MIIT may enforce the MIIT 2006 Notice on our affiliated consolidated entities. In such case, the provincial-level counterpart of MIIT could order our affiliated consolidated entities to own the registered trademarks used in their value-added telecommunications business within a specified period of time. We do not have knowledge about the period of time that MIIT would provide us to complete the necessary remediation measures. We are also not aware that since issuing the MIIT October Notice, MIIT has promulgated any additional notices or guidelines with respect to timelines for self-examination or remediation of noncompliance with the MIIT 2006 Notice. Moreover, the MIIT October Notice does not specify how much time the MIIT allows for ICP License-holders to remedy their noncompliance issues. If we fail to remedy any noncompliance within the time frame specified by the provincial counterpart of MIIT, the relevant governmental authority would have the discretion to revoke our affiliated consolidated entities licenses for value-added telecommunications or subject them to other penalties or sanctions, which would have a material and adverse effect on our business, financial condition, operating results and prospects.

Table of Contents

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of Internet businesses and companies, including limitations on our ability to own key assets, such as our PC websites, mobile applications and mobile websites.

The Chinese government heavily regulates the Internet industry, including foreign investment in the Chinese Internet industry, content on the Internet and license and permit requirements for service providers in the Internet industry. Since some of the laws, regulations and legal requirements with respect to the Internet are relatively new and evolving, their interpretation and enforcement involve significant uncertainties. In addition, the Chinese legal system is based on written statutes and so that prior court decisions can only be cited for reference and have little precedential value. As a result, in many cases it is difficult to determine what actions or omissions may result in liabilities. Issues, risks and uncertainties relating to China s government regulation of the Chinese Internet sector include the following:

- We operate our PC websites, mobile applications and mobile websites in China through contractual arrangements due to restrictions on foreign investment in businesses providing value-added telecommunication services, including substantially all of our paid services and advertising services.

- Uncertainties relating to the regulation of the Internet business in China, including evolving licensing practices, give rise to the risk that some of our permits, licenses or operations may be subject to challenge, which may be disruptive to our business, subject us to sanctions or require us to increase capital, compromise the enforceability of relevant contractual arrangements, or have other adverse effects on us. The numerous and often vague restrictions on acceptable content in China subject us to potential civil and criminal liability, temporary blockage of our PC websites, mobile applications and mobile websites or complete shut-down of the above-mentioned sites. For example, the State Secrecy Bureau, which is directly responsible for the protection of state secrets of all Chinese government and Chinese Communist Party organizations, is authorized to block any websites or mobile applications it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the distribution of online information. In addition, the newly amended Law on Preservation of State Secrets which became effective on October 1, 2010 provides that whenever an Internet service provider detects any leakage of state secrets in the distribution of online information, it should stop the distribution of such information and report to the authorities of state security and public security. As per request of the authorities of state security, public security or state secrecy, the Internet service provider should delete any contents on its websites or mobile applications that may lead to disclosure of state secrets. Failure to do so on a timely and adequate basis may subject the service provider to liability and certain penalties imposed by the State Security Bureau, Ministry of Public Security and/or MIIT or their respective local counterparts.

- Under the Cyber Security Law of the People s Republic of China, or Cyber Security Law, which became effective on June 1, 2017, when network operators, such as us, provide users with information publication services, instant messaging services and other services, they shall require users to provide real identity information at the time of signing agreements with users or confirming the provision of services. Where users do not provide real identify information, network operators shall not provide them with relevant services. If network operators fail to comply with these requirements, relevant competent authorities may order the operators to rectify, and if they fail to rectify or if the circumstances are serious, a fine may be imposed, and the relevant competent authorities may order the operators to suspend operation, close down the website, and revoke their relevant business permits and licenses; and a fine of no less than RMB10,000 but no more than RMB100,000 may be imposed on the persons directly in charge and other directly responsible persons.

- On September 28, 2009, the General Administration of Press and Publication (the predecessor of SAPPRFT), or GAPP and the National Office of Combating Pornography and Illegal Publications jointly published a circular expressly prohibiting foreign investors from participating in Internet game operating business via wholly owned, equity joint venture or cooperative joint venture investments in China, and from controlling and participating in such businesses directly or indirectly through contractual or technical support arrangements. On February 4, 2016, the SAPPRFT and the MIIT jointly issued the Administrative Measures on Network Publication, which took effect in March 10, 2016 and prohibit wholly foreign-owned enterprises, Sino-foreign equity joint ventures and Sino-foreign cooperative enterprises from engaging in the provision of web publishing services. In addition, project cooperation between an Internet publishing service provider and a wholly foreign-owned enterprise, Sino-foreign equity joint venture, or Sino-foreign cooperative enterprise within China or an overseas organization or individual involving Internet publishing services shall be subject to examination and approval by the SAPPRFT in advance.

Due to the increasing popularity and use of the Internet and other online services, it is possible that a number of laws and regulations may be adopted with respect to the Internet or other online services covering issues such as user privacy, pricing, content, copyrights, distribution, antitrust and characteristics and quality of products and services. The adoption of additional laws or regulations may impede the growth of the Internet or other online services, which could, in turn, decrease the demand for our products and services and increase our cost of doing business. Moreover, the applicability to the Internet and other online services of existing laws in various jurisdictions governing issues such as property ownership, sales and other taxes, libel and personal privacy is uncertain and may take years to resolve. Any new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application of existing laws and regulations to the Internet and other online services could significantly disrupt our operations or subject us to penalties.

The interpretation and application of existing PRC laws, regulations and policies, the stated positions of relevant PRC government authorities and possible new laws, regulations or policies 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.

The Chinese government may prevent us from advertising or distributing content, including UGC, that it believes is inappropriate and we may be subject to penalties for such content or we may have to interrupt or stop the operation of our PC websites, mobile applications and mobile websites.

China has enacted regulations governing Internet access and the distribution of news and other information. In the past, the Chinese government has stopped the distribution of information over the Internet or through mobile Internet devices that it believes violates Chinese law, including content that it believes is obscene or defamatory, incites violence, endangers the national security, or contravenes the national interest. In addition, certain news items, such as news relating to national security, may not be published without permission from the Chinese government. If the Chinese government were to take any action to limit or prohibit the distribution of information through our PC websites, mobile applications and mobile websites, or through our services, or to limit or regulate any current or future content or services available to users on our network, our business could be significantly harmed.

In addition to professionally produced content, content from Phoenix TV and our in-house produced content, we allow our users to upload text and images (UGC) to our PC websites, mobile applications and mobile websites. We have a content screening team of 5 full-time editors and more than 100 outsourced staff members who are responsible for monitoring and preventing the public release of inappropriate or illegal content, including UGC, on our PC websites, mobile applications and mobile websites or through our services. Although we have adopted internal procedures to monitor the content displayed on our PC websites, mobile applications and mobile websites, due to the significant amount of UGC uploaded by our users, we may not be able to identify all the UGC that may violate relevant laws and regulations. Failure to identify and prevent inappropriate or illegal content from being displayed on our PC websites, mobile applications and mobile websites may subject us to liability.

Content provided on our PC websites, mobile applications and mobile websites may expose us to libel or other legal claims which may result in costly legal damages.

Claims have been threatened and filed against alleging for libel, defamation, invasion of privacy and other matters based on the nature and content of the materials posted on our PC websites, mobile applications and mobile websites. While we screen our content for such potential liability, there is no assurance that our screening process will identify all potential liability, especially liability arising from UGC and content we license from third parties. In the past, some of the claims brought against us have resulted in liability. Although to date none of such claims resulting material loss, we cannot assure you we will not be subject to future claims that could be costly, encourage similar lawsuits, distract our management team or harm our reputation and possibly our business. For more information, see Item 4. Information on the Company B. Business Overview Legal and Administrative Proceedings.

Advertisements on our PC websites, mobile applications and mobile 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 PC websites, mobile applications and mobile websites to ensure that such content is true, 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 websites or mobile application posting, such as advertisements relating to medical treatment, pharmaceuticals, medical instruments, agrochemicals, veterinary pharmaceuticals and health food, we are obligated to confirm that such review has been performed and approval has been obtained from relevant governmental authorities, which include the local branch of the SAIC, the local branch of the State Food and Drug Administration, the local branch of the Ministry of Health and the local branch of the State Administration of Traditional Chinese Medicine. On April 24, 2015, the Standing Committee of the National People s Congress issued the Advertisement Law, which took effect on September 1, 2015 and was amended on October 26, 2018, to further strengthen the supervision and management of advertisement services. In addition, on July 4, 2016, SAIC issued the *Interim Measures for the*

Administration of Internet Advertising, the New Interim Measures, to further regulate Internet advertising activities. Pursuant to these laws and regulations, any advertisement that contains false or misleading information to deceive or mislead consumers shall be deemed false advertising. Furthermore, the Advertisement Law explicitly stipulates detailed requirements for the content of several different kinds of advertisement, including advertisements for medical treatment, pharmaceuticals, medical instruments, health food, alcoholic drinks, education or training, products or services having an expected return on investment, real estate, pesticides, feed and feed additives, and some other agriculture-related advertisement. Also, according to the New Interim Measures, no advertisement of such special commodities or services which are subject to examination by an advertising examination authority shall be published unless it has passed such examination. In addition, an Internet advertisement shall be identifiable and clearly identified as an advertisement so that consumers will know that it is an advertisement. Paid search advertisements shall be clearly distinguished from natural search results. We may be subject to enhanced supervision and more serious penalties in case of a violation (if any) pursuant to such new Advertisement Law and the New Interim Measures. To fulfill these monitoring functions, we include clauses in most of our advertising contracts requiring that all advertising content provided by advertisers must comply with relevant laws and regulations. Pursuant to the contracts between us and advertising agencies, advertising agencies are liable for all damages to us caused by their breach of such representations. Before a sale is confirmed and the advertisement is publicly posted on our PC websites or mobile applications and mobile websites, our account execution personnel, who comprise a separate back-office team, are required to review all advertising materials to ensure there is no racial, violent, pornographic or any other improper content, and will request the advertiser to provide proof of governmental approval if the advertisement is subject to special government review. 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 eliminate the effect of illegal advertisement. PRC governmental authorities may even force us to terminate our advertising operation or revoke our licenses in circumstances involving serious violations.

Table of Contents

A majority of the advertisements shown on our PC websites, mobile applications and mobile websites are provided to us by third-party advertising agencies on behalf of advertisers. We cannot assure you that all of the content contained in such advertisements is true and accurate as required by the advertising laws and regulations. For example, the *Advertisement Law* provides that an advertisement operator who posts false or fraudulent advertisements related to the life and health of the consumers, or who knows or should have known other kind of posted advertisement is false or fraudulent will be subject to joint and several liabilities. Under the *Detailed Implementation Rules on the Administrative Regulations for Advertisement*, PC websites or mobile applications and mobile websites must not post any advertisements that are untrue or lacking the requisite governmental approval if such type of advertisements are subject to special governmental review. The New Interim Measures provides that Internet advertisement publishers shall verify related supporting documents, check the contents of the advertisement and be prohibited from publishing any advertisement with nonconforming contents or without all the necessary certification documents. However, for the determination of the truth and accuracy of the advertisements, there are no implementing rules or official interpretations, and such a determination is at the sole discretion of the relevant local branch of the SAIC, which results in uncertainty in the application of these laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations in the future, we may be subject to penalties and our reputation may be harmed, which may have a material and adverse effect on our business, financial condition, operating results and prospects.

In addition, online information distributors and related service providers, as well as marketplace platform operators, are required to conduct businesses in full compliance with the Anti-unfair Competition Law in China, and may not unfairly compete with others or cause disruption to social and economic orders, including but not limited to carrying out any false or misleading commercial promotions, inserting a link into an online product or service legally provided by another business operator to compel a destination jump without the approval of such business operator. In November 2017, the Anti-unfair Competition Law of the PRC was amended, which further emphasized that a business operator that engage in production and business activities utilizing the information network shall abide by all the provisions of the Anti-unfair Competition Law, and may not engage in any false or misleading publicity for its products or services. Violation of these provisions may subject the relevant business operators to various penalties, including an order from the competent governmental authorities to cease its illegal acts and fines, or in case of a severe violation, revocation of business licenses.

Ineffective implementation of the separation of our advertising sales and regulatory compliance functions may result in insufficient supervision over the content of advertisements shown on our PC websites, mobile applications and mobile websites and may subject us to penalties or administrative actions.

We keep our advertising sales function separate from our team that is in charge of government compliance in order to prevent potential conflicts between our advertising business and our compliance with relevant PRC advertising laws and regulations. Before a sale is confirmed and the relevant advertisements are publicly posted on our PC websites, mobile applications and mobile websites, our account execution personnel, who comprise a separate back-office team that does not interface directly with advertisers, are required to review all advertising materials to ensure that the relevant advertisements do not contain any racial, violent, pornographic or any other improper content. These personnel will request an advertiser to provide proof of governmental approval if its advertisement is subject to special governmental review. Such procedures are designed to enhance our regulatory compliance efforts. However, in the event that the separation of advertising sales and regulatory compliance functions is not effectively implemented, the content of our advertisements may not be in full compliance with applicable laws and regulations. If we are found to be in violation of applicable laws and regulations in the future, we may be subject to penalties and our reputation may be harmed. This may have a material and adverse effect on our business, financial condition and operating results.

We prioritize product innovation and user experience over short-term operating results, which may harm our revenue and operating results.

We encourage employees to quickly develop and help us launch new and innovative features. We focus on improving the user experience for our products and services and on developing new and improved products and services for the advertisers on our platforms. We frequently make product and service decisions that may negatively impact our short-term operating results if we believe that the decisions are consistent with our goals to improve user experience and performance for advertisers, which we believe will improve our operating results over the long term. These decisions may not be consistent with the short-term expectations of investors and may not produce the long-term benefits that we expect, in which case our user growth and user engagement, our relationships with advertisers and our business and operating results could be harmed. In addition, our focus on user experience may negatively impact our relationships with our existing or prospective customers. This could result in a loss of customers and platforms partners, which could harm our revenue and operating results.

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

Our success depends on the continuous efforts and services of Mr. Shuang Liu, our director and Chief Executive Officer, Ms. Betty Yip Ho, our director and Chief Financial Officer, Ms. Xiaoyan Chi, our Senior Vice President and Mr. Chun Liu, our Senior Vice President. If, however, one or more of our executives or other key personnel are unable or unwilling to continue to provide services to us, we may not be able to find suitable replacements easily or at all. Competition for management and key personnel is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our executives or key personnel, or attract and retain experienced executives or key personnel in the future. We do not maintain key-man life insurance for any of our key personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose advertisers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement and a non-compete agreement with us. However, if any dispute arises between us and our executives or key employees, these agreements may not be enforceable in China, where these executives and key employees reside, in light of uncertainties with China s legal system. See Risks Relating to Doing Business in China Uncertainties with respect to the PRC legal system could limit the protections available to you and us.

Our future success will also depend on our ability to attract and retain highly skilled technical, managerial, editorial, finance, marketing, sales and customer service employees. Qualified individuals are in high demand, and we may not be able to successfully attract, assimilate or retain the personnel we need to succeed.

Table of Contents

We have granted, and may continue to grant, stock options, restricted shares and restricted share units under our share incentive plans or adopt new share incentive plans in the future, which may result in increased share-based compensation.

We adopted a share option plan in June 2008, a restricted share and restricted share unit plan in March 2011 and a share option scheme in June 2018. In addition, one of our subsidiaries, Fread Limited, adopted a restricted share unit scheme in March 2018. As of March 31, 2019, options to purchase 33,819,859 Class A ordinary shares were outstanding. As of March 31, 2019, a total of 1,220,000 shares of Fread Limited are available for grant under the Fread 2018 RSU scheme. We implemented an option exchange program in 2016 whereby our directors, employees and consultants exchanged options to purchase 21,011,951 Class A ordinary shares with various exercise prices greater than US$0.4823 per share for new options with a new exercise price of US$0.4823 per share and a new vesting schedule. See Item 6. Directors, Senior Management and Employees B. Compensation of Directors, Supervisors and Executive Directors Share Incentive Plans. For the years ended December 31, 2016, 2017 and 2018, we recorded RMB1.9 million, RMB20.9 million and RMB14.0 million (US$2.0 million), respectively, in share-based compensation. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant stock options to employees in the future. We intend to grant additional stock options to our employees going forward, and we may implement additional option exchange program in the future, which we expect will further increase our share-based compensation. If we continue to grant share options in the future, our share-based compensation will increase accordingly.

We have been and expect we will continue to be exposed to intellectual property infringement and other claims, including claims based on content posted on our PC websites, mobile applications and mobile websites, which could be time-consuming and costly to defend and may result in substantial damage awards and/or court orders that may prevent us from continuing to provide certain of our existing services.

Our success depends, in large part, on our ability to operate our business without infringing third-party rights, including third-party intellectual property rights. Companies in the Internet, technology and media industries own, and are seeking to obtain, a large number of patents, copyrights, trademarks and trade secrets, and they are frequently involved in litigation based on allegations of infringement or other violations of intellectual property rights or other related legal rights. There may be patents issued or pending that are held by others that cover significant aspects of our technologies, products, business methods or services. We license our premium licensed content from third parties. We also derive profits from online and mobile games that are based on intellectual property licensed to us by third parties. Although our license agreements with our licensors generally require that the licensors have the legal right to license such content to us and give us the right to promptly remove any content that we have been notified contains infringing material, we cannot ensure that each licensor has such authorization and we may not receive notification of infringement. If any purported licensor does not actually have sufficient authorization relating to the premium licensed content or right to license a work of authorship provided to us, we may be subject to claims of copyright infringement from third parties and penalties imposed by competent government authorities, and we cannot ensure we can be fully indemnified by the relevant licensor for all losses we may incur from such claims.

In order to strengthen the protection of intellectual property right, Chinese government and courts are improving the judicial system for resolving intellectual property disputes in China. As intellectual property litigation is becoming more common in China, we face increased risk of being sued for potential intellectual property infringements. Third parties may take action and file claims against us if they believe that certain content on our site violates their copyrights or other related legal rights. We have been subject to such claims in the PRC. Government authorities may also impose administrative penalties on us if they find that we have infringed third parties intellectual property rights. In October 2015, the National Copyright Bureau imposed a fine of RMB250,000 on Tianying Jiuzhou for disseminating on our PC websites, mobile applications and mobile websites one work of literature that we licensed from third parties that were alleged to have no legal rights to license such work. In November 2016, China Youth Book Inc. and Dewey Press LLC filed a claim against Tianying Jiuzhou and our company for intellectual property infringement of such work based on the above-mentioned finding of the National Copyright Bureau, and the related claim for damage was approximately RMB235.8 million, even though the actual income we generated from such work was less than RMB1,500. This claim was withdrawn by the plaintiffs in January 2018. In April 2018, we received notices from the local court that the plaintiffs have filed a lawsuit against us again for the same claim, with the related claim for damages reduced to approximately RMB99.8 million. In April 2019, we were orally informed by the local court that the plaintiffs had submitted a request to either revise or withdraw their complaint, but we have not received any formal decision of the court, as of the date of this annual report. We are not sure if the complaint will be revised or withdrawn, and if it is withdrawn, we cannot assure you that the plaintiffs will not file lawsuit against us again in the same or different court. As litigation is subject to inherent uncertainties and based on the legal advice, we are currently unable to make an estimation of the reasonably possible loss or range of possible loss, if any. However, our view of these matters may change in the future and will review the need for any such liability on a regular basis. In 2018, we also received some complaints and claims from third parties alleging intellectual property infringements by us, although some of the complainants have not provided necessary proofs of title or infringements. While we are negotiating with theses complainants and some of these claims are still pending as of the date of this annual report, we cannot assure you that we will not be proved to have infringed their intellectual property rights or be required to pay any compensation. For more information, see Item 4. Information on the Company B. Business Overview Legal and Administrative Proceedings.

In addition, our platforms are open to Internet users for uploading text and images and our we-media vertical obtained content produced by over 837,000 we-media publishers as of the end of 2018, such as we-media outlets, public intellectual, commentators, scholars, key opinion leaders, or KOLs and professors. As a result, content posted by our users, including we-media publishers and other Internet users, may expose us to allegations by third parties of infringement of intellectual property rights, invasion of privacy, defamation and other violations of third-party rights. Pursuant to our user agreement, users agree not to use our services in a way that is illegal, obscene or may otherwise violate generally accepted codes of ethics. However, given the volume of content uploaded it is not possible, and we do not attempt to identify and remove all potentially infringing content uploaded or published by our users, which may subject us to various claims by third parties.

Table of Contents

Moreover, as we continue to hire additional personnel to expand our product development teams, we may be subject to allegations and claims that some of our new employees may have disclosed trade secrets or other proprietary information of their former employers to us, especially when such employees were previously employed by our competitors or companies with similar businesses as ours. Any such allegation or claim, even if unfounded, could have a negative impact on our reputation, and our financial condition and operating results may suffer as a result.

We cannot assure you that we have not become subject to copyright laws in other jurisdictions, such as the United States, by virtue of our listing in the United States, the ability of users to access our videos in the United States and other jurisdictions, the ownership of our ADSs by investors, the extraterritorial application of foreign law by foreign courts or otherwise. Although we have not previously been subject to legal actions for copyright infringement in jurisdictions other than China, it is possible that we may be subject to such claims in the future. Any such claims in China, U.S., or elsewhere, regardless of their merit, could be time-consuming and costly to defend, and may result in litigation and divert management s attention and resources. Furthermore, an adverse determination in any such litigation or proceedings to which we may become a party in China, U.S. or elsewhere could cause us to pay substantial damages. For example, statutory damage awards in the U.S. can range from US$750 to US$30,000 per infringement, and if the infringement is found to be intentional, can be as high as US$150,000 per infringement. Additionally, the risk of an adverse determination in such litigation or an actual adverse determination may result in harm to our reputation or in adverse publicity. The risk of an adverse result or the actual adverse result in litigation may also require us to seek licenses from third parties, pay ongoing royalties or become subject to injunctions requiring us to remove content or take other steps to prevent infringement, each of which could prevent us from pursuing some or all of our business and result in our users and advertisers or potential users and advertising customers deferring or limiting their use of our services, which could materially adversely affect our financial condition and operating results.

We may not be able to adequately protect our intellectual property, which could cause us to be less competitive.

We rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our copyrighted content and other intellectual property. Monitoring such unauthorized use is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources. The PRC is increasing the protection to a company s intellectual property, but has historically afforded less protection than the United States and the Cayman Islands, and therefore companies such as ours operating in the PRC face an increased risk of intellectual property piracy.

The discontinuation of any of the preferential tax treatments available to us in China could materially and adversely affect our operating results and financial condition.

Under PRC tax laws and regulations, our PRC subsidiary, Beijing Fenghuang Yutian Software Technology Co., Ltd., or Fenghuang Yutian, Beijing Fenghuang Borui Software Technology Co., Ltd., or Fenghuang Borui, Fenghuang On-line and Tianying Jiuzhou enjoyed, or are qualified to enjoy, certain preferential income tax benefits. The PRC *Corporate Income Taxes Law (CIT Law)*, effective on January 1, 2008, and further amended on February 24, 2017 and December 29, 2018, and its implementation rules significantly curtail tax incentives granted to foreign-invested enterprises. The CIT Law generally applies an income tax rate of 25% to all enterprises, but grants preferential tax treatment to High and New Technology Enterprises (HNTEs) and Software Enterprises. Under these preferential tax treatments, HNTEs are entitled to an income tax rate of 15%, subject to a requirement that they re-apply for HNTE status every three years and Software Enterprises are entitled to an income tax exemption for two years beginning from its first profitable year and a 50% reduction to a rate of 12.5% for the subsequent three years.

Fenghuang On-line had been qualified as an HNTE in November 2014 and August 2017, respectively, and was entitled to a preferential tax rate of 15%. Therefore, Fenghuang On-line was subject to a 15% income tax rate for the years from 2016 to 2018 and would be subject to a 15% income tax rate in 2019. Tianying Jiuzhou resubmitted applications for qualification and was approved as an HNTE in 2014 and 2017, respectively, and therefore, Tianying Jiuzhou was subject to a 15% income tax rate from 2016 to 2018 and would be subject to a 15% income tax rate in 2019. In 2012, Fenghuang Yutian was qualified as a Software Enterprise. As 2013 was the first year Fenghuang Yutian generated taxable profit, it was exempted from income taxes for the years 2013 and 2014, and was subject to a 12.5% income tax rate from 2015 to 2017. In 2017, Fenghuang Yutian had been qualified as an HNTE, and therefore, Fenghuang Yutian was subject to a 15% income tax rate in 2018 and would be subject to a 15% income tax rate in 2019. In 2016, Fenghuang Borui was qualified as a Software Enterprise. As 2016 was the first year Fenghuang Borui generated taxable profit, it was exempted from income taxes for the years 2016 and 2017, and was subject to a 12.5% income tax rate in 2018 and would be subject to a 12.5% income tax rate from 2019 to 2020. Yitian Xindong was qualified as an HNTE in November 2018, and was subject to a 15% income tax rate in 2018 and would be subject to a 15% income tax rate from 2019 to 2020. See Item 10. Additional Information E. Taxation.

We have limited business insurance coverage.

The insurance industry in China is still young and the business insurance products offered in China are limited. We do not have any business liability or disruption insurance coverage for our operations. Any business disruption, litigation or natural disaster may cause us to incur substantial costs and divert our resources.

A prolonged slowdown in the global or PRC economies may materially and adversely affect our operating results, financial condition, prospects and future expansion plans.

The global financial markets experienced opportunities and challenges side by side in 2018. This year marked the first time since 1978 that the Dow Jones finished with an annual loss after rising in the first three quarters, and the first for the S&P 500 since 1948. Escalated trade tensions, together with concerns about Italian fiscal policy and the economic performance of several emerging markets, and, toward the end of the year, about the U.S. government shutdown, contributed to equity price declines during the second half of 2018. Global economic growth would likely fall short of the baseline projection if any such events were to materialize and trigger a generalized risk-off episode.

Table of Contents

Economic conditions in the PRC are sensitive to macroeconomic conditions. In part due to lower export demand resulting from slow economic recoveries in the United States and Europe and a weak economic environment in Japan, China s GDP growth decelerated since 2012. China s year-over-year GDP growth rate in 2018, 6.6%, remained stable as compared to 6.9% in 2017 and 6.7% in 2016. In addition, there is uncertainty regarding the scale and the effects of a real estate bubble alleged by some to have reached a critical stage in the PRC. Since demand for our paid and advertising services are sensitive to macro-economic conditions globally and in the PRC, our business prospects may be affected by the macroeconomic environment. Any prolonged slowdown in the global or PRC economy may have a material adverse effect on our business, operating results and financial condition, and continued turbulence in the international markets may materially and adversely affect our ability to access the capital markets to meet liquidity needs.

PRC regulations establish complex procedures for certain acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

On August 8, 2006, six PRC regulatory authorities, including the CSRC, jointly promulgated the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors,* or the 2006 M&A Rules, which were later amended on June 22, 2009. The 2006 M&A Rules establish procedures and requirements that could make some acquisitions of PRC companies by foreign investors more time-consuming and complex, including requirements in some instances that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, national security review rules issued by the PRC governmental authorities in 2011 require acquisitions by foreign investors of domestic companies engaged in military related or certain other industries that are crucial to national security to be subject to prior security review. According to the MOFCOM Security Review Rules, a security review is required for mergers and acquisitions of PRC domestic enterprises by foreign investors (i) having national defense and security concerns, and (ii) where the foreign investors may acquire the de facto control of the PRC domestic enterprises having national security concerns such as key farm products, key energy and resources, and key infrastructure, transportation, technology and major equipment manufacturing industries. Circular No. 6, however, does not define the term of key or major, nor has it exhausted all the industries that may be deemed as sensitive industries subject to the security review.

We may expand our business in part by acquiring complementary businesses. Complying with the requirements of the 2006 M&A Rules, the MOFCOM Security Review Rules, if applicable, and other PRC regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. However, it is also uncertain whether the 2006 M&A Rules, the MOFCOM Security Review Rules or the other PRC regulations regarding the acquisitions of PRC companies by foreign investors will be materially repealed or amended should the *Foreign Investment Law*, or the FIL, become effective in 2020. Any adverse change in rules or regulations may have a material adverse effect on our business and operating results.

There is a substantial risk we will be classified as a passive foreign investment company, or PFIC, for 2018, which could result in adverse United States federal income tax consequences to United States Holders (as defined below).

Based upon the composition of our income, assets, including goodwill, and valuation of our assets, we believe there is a substantial risk that we will be classified as a passive foreign investment company, or PFIC, for 2018. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, we will be classified as a PFIC for United States federal income tax purposes for any taxable year in which: (i) at least 75% of our gross income in a taxable year is passive income, or (ii) at least 50% of the value (determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income. The calculation of the value of our assets will be based, in part, on the quarterly market value of our ADSs, which is subject to change. See Item 10. Additional Information E. Taxation Material United States Federal Income Tax Consequences Passive Foreign Investment Company.

In addition, there are substantial uncertainties as to the treatment of our corporate structure and ownership of our affiliated consolidated entities for United States federal income tax purposes. If it is determined that we do not own the stock of our affiliated consolidated entities for United States federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), we are more likely to be treated as a PFIC.

Such characterization as a PFIC could result in adverse United States federal income tax consequences to you if you are a United States Holder, as defined under Taxation Material United States Federal Income Tax Consequences. For example, you may become subject to increased tax liabilities under United States federal income tax laws and regulations, and will become subject to burdensome reporting requirements.

If we are a PFIC for any year during which a United States Holder holds our ADSs or ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such United States Holder holds our ADSs or ordinary shares. See Item 10. Additional Information E. Taxation Material United States Federal Income Tax Consequences Passive Foreign Investment Company. The determination of our PFIC status is based on an annual analysis that investigation includes ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income we earn. Because this involves extensive factual investigation and cannot be completed until the close of a taxable year, our U.S. counsel expresses no opinion with respect to our PFIC status.

Our strategy of acquiring complementary assets, technologies and businesses may fail and may result in equity or earnings dilution.

As part of our business strategy, we intend to identify and acquire assets, technologies and businesses that are complementary to our business. Acquired businesses or assets may not yield the results we expect. In addition, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant amortization expenses related to intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the cost of identifying and consummating acquisitions, and integrating the acquired businesses into ours, may be significant, and the integration of acquired business may be disruptive to our business operations. In addition, we may have to obtain approval from the relevant PRC governmental authorities for the acquisitions and comply with any applicable PRC rules and regulations, which may be costly. In the event our acquisitions are not successful, our financial condition and results of operation may be materially and adversely affected.

Failure of our business strategies through our subsidiaries, affiliates and other business alliance partners could negatively affect our financial condition, operating results and reputation.

Aligned with our business strategies, we have made and may undertake in the future investments in subsidiaries, affiliates and other business alliance partners in various Internet-related businesses.

Our equity investments in Phoenix FM Limited, or Phoenix FM, Shenzhenshi Fenghuang Jingcai Network Technology Co., Ltd., Beijing Phoenix Lilita Information Technology Co., Ltd., and Lifeix Inc. have been fully impaired and we have fully written off our entire investments in these entities during the years from 2015 to 2017.

We made substantial investments in Particle in the form of investments and loans in the past. Particle operates Yidian, a personalized news and life-style information application in China that allows users to define and explore desired content on their mobile devices. As of the date hereof, we held Series B, Series C and Series D1 convertible redeemable preferred shares of Particle, which had been accounted for as available-for-sale debt investments, representing an aggregate of approximately 37.63% equity interest of Particle on an as-if converted basis. The fair value of our available-for-sale debt investments in Particle was RMB1,959.5 million (US$285.0 million) as of December 31, 2018. In March 2019, we entered into a share purchase agreement with Run Liang Tai to sell 32% of the total outstanding shares of Particle to the proposed buyers for a total consideration of US$448 million in cash. We have already received a cash deposit of US$100 million from the proposed buyers. However, completion of the proposed transactions are subject to certain closing conditions, many of which are beyond our control. There is no assurance that the proposed transactions will ever be closed. See Item 3. Key Information D. Risk Factors Risks Relating to Our Business and Industry While we recently entered into a share purchase agreement to sell a substantial part of our investment in Yidian Zixun, we may not be able to complete the proposed transaction and our financial position, results of operation and ADS price could be materially and adversely affected.

In December 2014, we lost control over Beijing Fenghuang Tianbo Network Technology Co., Ltd., or Tianbo, a previously consolidated subsidiary, as the result of disposal of certain equity interest of Tianbo, and we currently still hold 50% of the equity interests in Tianbo. As we have significant influence over financial and operating decision-making after deconsolidation, we account for the retained 50% equity interest by using the equity method of accounting. In April, 2019, shareholders of Tianbo agreed to amend its articles of association to allow us to regain control over Tianbo. As a result, we except to fully consolidate Tianbo from April 1, 2019, which may have material impact on our consolidated financial statements for periods ending after such date. At the same time, we agreed to invest in form of free advertising resources as consideration to gain control over Tianbo. Tianbo is principally engaged in operation of the real property channel and sales of real property advertisements for ifeng.com. As of December 31, 2017 and 2018, the carrying value of equity investment in Tianbo was RMB15.1 million and RMB20.5 million (US$3.0 million), respectively.

In January 2015, in order to leverage our brand, content platform and large user base to expand into more entertainment related businesses, we established a subsidiary, Shanghai Meowpaw Info&Tech Co., Ltd., or Meowpaw. Meowpaw is engaged in creating intellectual properties, related games, books, movies and animations, etc. Meowpaw will apply for the necessary licenses and permits when required. As of the date of this annual report, we held 75% of Meowpaw s equity interests, and its noncontrolling shareholder, who is an individual, held the remaining 25%. Meowpaw s share capital was not sufficient to support its operations. In addition to the capital injection, we provided a long-term financing of RMB79.0 million to support its operations.

In August 2017, we acquired an 8% equity interest in Shenzhenshi Kuailai Technology Co., Ltd., or Kuailai, with a consideration of RMB0.2 million. Kuailai operates Xunhutai, a life-style information application in China. As of December 31, 2018, the fair value of our equity investment in Kuailai was RMB0.2 million (US$0.03 million).

In November 2018, we acquired a 10% equity interest in Yitong Technology (Hangzhou) Limited, or Yitong Technology, by investing in newly issued shares of Yitong Technology with a consideration of RMB13.0 million (US$1.9 million), of which RMB6.5 million (US$0.9 million) was paid in December 2018 and the remaining RMB6.5 million (US$0.9 million) was recorded as amount due to related party in the balance sheet. Yitong Technology mainly engages in big data application development and operation in China. As our equity investment in Yitong Technology has preferred liquidation rights, it is not considered as in-substance common stock, and should be measured at fair value, with changes in the fair value recognized through net income/(loss). As the investments in Yitong Technology lack readily determinable fair values, we elect to use the measurement alternative defined as cost, less impairments, adjusted by observable price changes in orderly transactions for the identical or a similar investment of the same issuer. As of December 31, 2018, the fair value of our equity investment in Yitong Technology was RMB13.0 million (US$1.9 million).

Table of Contents

In December 2018, we acquired a 25.5% equity interest in Yitian Xindong, for an aggregate purchase price of RMB144.1 million (US$21.0 million). Telling Telecommunication Co., Ltd., or Telling Telecom, concurrently transferred another 25.5% of its equity interests in Yintian Xindong to Shenzhen Bingruixin Technology Co., Ltd., or Bingruixin, a third party, which then granted an option to us that will allow us to acquire a 25.5% equity interest from Bingruixin for RMB144.1 million (US$21.0 million). Bingruixin has also entrusted the voting rights of such 25.5% equity interest to us, as a result of which we started to consolidate Yitian Xindong in our financial statements from December 28, 2018. We have exercised the call option granted by Bingruixin on March 1, 2019 and acquired a 25.5% equity interest in Yitian Xindong. We currently hold 51% of the equity interests in Yitian Xindong and continue to consolidate Yitian Xindong. Yitian Xindong owns Tadu Apps, which collectively have more than one million daily active users. We recorded goodwill of RMB338.3 million (US$49.2 million) from the acquisition, which would not be amortized but is tested for impairment on an annual basis, or more frequently if events or changes on circumstances indicates that it might be impaired.

In December 2018, we acquired a 40% equity interest in Henan Fengyi Feiyang Network Technology Limited, or Fengyi Technology, with a consideration of RMB2.0 million (US$0.3 million). Fengyi Technology mainly engages in advertising service in China. As the investment in Fengyi Technology is redeemable at our option, it is not considered in-substance common stock but considered debt securities. Our investment in Fengyi Technology is classified as available-for-sale debt investments and reported at fair value. As of December 31, 2018, the fair value of investment in Fengyi Technology was RMB2.0 million (US$0.3 million).

It is uncertain whether we will receive the expected benefits from these investments, due to any adverse regulatory changes, worsening of economic conditions, increased competition or other factors that may negatively affect the related business activities. We accounted for some of our investments in affiliates under the equity method. Therefore, net losses incurred by equity method investees may cause us to record our share of the net losses. Furthermore, we may lose the capital which we have invested in affiliates and other business alliances or may incur impairment losses on securities acquired in such alliances. For example, although we have entered into a share purchase agreement with Run Liang Tai to sell a substantial portion of our investment in Particle, if such transaction does not complete as expected, we may not be able to negotiate better or comparable terms or at all with other potential buyers, and we may not be able to realize any gain and may incur losses from our investment in Particle.

While we do not have such arrangements in place, we may in the future be required under contractual or other arrangements to provide financial support, including credit support and equity investments, to our business alliance partners in the future. Additionally, we may also incur credit costs from our credit exposure to such business alliance partners. If there is any negative news coverage about our business alliance partners, our reputation may also be harmed as a result of our affiliation with them.

Some of the businesses we have invested in are subject to intensive regulation. As a result of such regulations which are beyond our control, our business strategies may fail. Any adverse regulatory change may have a material adverse impact on the business and financial performance of our subsidiaries, affiliates and other business alliance partners. Furthermore, unanticipated costs and liabilities may be incurred in connection with those business strategies, including liabilities from the claims related to the businesses prior to our business alliances, and cost from actions by regulatory authorities.

We may have conflicts of interest with some of the affiliated companies we have invested in and, because some of our board members and executive officers also hold positions and have other interests in such companies, we may not be able to resolve such conflicts on terms favorable for us.

We may have conflicts of interests with some of the affiliated companies we have invested in. Certain of our board members and executive officers hold directorship and/or senior management positions and own shares, restricted share units and/or options in these affiliated companies. For example, Mr. Shuang Liu, our director and Chief Executive Officer, also serves as the chairman of Particle. Mr. Shuang Liu has been granted or promised options by Particle as incentive share compensation. These affiliated companies may continue to grant or promise incentive share compensation to certain of our board members and executive officers from time to time. These relationships could create, or appear to create, conflicts of interest when these persons are faced with decisions with potentially different implications for these affiliated companies and us. In addition, we do not have a non-compete agreement with most of these affiliated companies and therefore neither we nor they are prohibited from entering into competition with each other in respect of our respective current businesses or new businesses. As such, we may not be able to resolve potential conflicts, and even if we do so, the resolution may be less favorable to us than if we were dealing with unrelated parties.

Risks Relating to Our Corporate Structure

Phoenix TV (BVI) owns our Class B ordinary shares with 1.3 votes per share, allowing it and Phoenix TV to exercise significant influence over matters subject to shareholder approval, and their interests may not be aligned with the interests of our other shareholders.

Phoenix TV (BVI), a wholly owned direct subsidiary of Phoenix TV, owned 54.5% of our total issued and outstanding shares as of March 31, 2019. Moreover, all shares held by Phoenix TV (BVI) are Class B ordinary shares with 1.3 votes per share. As a result, Phoenix TV (BVI) held 60.9% of the total voting power of our ordinary shares as of March 31, 2019. Accordingly, Phoenix TV (BVI), and Phoenix TV through Phoenix TV (BVI), have substantial control over the outcome of corporate actions requiring shareholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transaction, and their interests may not align with the interests of our other shareholders. Phoenix TV (BVI) may take actions that are not in the best interest of us or our other shareholders and may also delay or prevent a change of control or otherwise discourage a potential acquirer from attempting to obtain control of us, even if such a change of control would benefit our other shareholders. This significant concentration of share ownership may adversely affect the trading price of our ADSs due to investors perception that conflicts of interest may exist or arise.

We may have conflicts of interest with Phoenix TV and, because of Phoenix TV s controlling beneficial ownership interest in our company, may not be able to resolve such conflicts on terms favorable for us.

Conflicts of interest may arise between Phoenix TV and us in a number of areas relating to our past and ongoing relationships. Potential conflicts of interest that we have identified include the following:

- *Our board members or executive officers may have conflicts of interest.* Certain of our board members and executive officers own shares, restricted share units and/or options in Phoenix TV, and also hold senior management positions in Phoenix TV. Phoenix TV may continue to grant incentive share compensation to certain of our board members and executive officers from time to time. These relationships could create, or appear to create, conflicts of interest when these persons are faced with decisions with potentially different implications for Phoenix TV and us.

Table of Contents

- *Sale of shares in our company.* Phoenix TV (BVI) may decide to sell all or a portion of our shares that it beneficially owns to a third party, including to one of our competitors, thereby giving that third party substantial influence over our business and our affairs. Such a sale could be contrary to the interests of certain of our shareholders, including our employees or public shareholders.

- *Competition.* We do not have a non-compete agreement with Phoenix TV and its subsidiaries and affiliates, therefore neither we nor Phoenix TV is prohibited from entering into competition with each other in respect of our respective current businesses or new businesses.

- *Allocation of business opportunities.* Business opportunities may arise that both we and Phoenix TV find attractive, and which would complement our respective businesses. We and Phoenix TV do not have an agreement governing the allocation of new business opportunities presented to us and Phoenix TV in the future, and therefore, it is not certain which company will have the priority to pursue such business opportunities when such opportunities arise.

Although our company is a separate, stand-alone entity, Phoenix TV (BVI), a wholly owned direct subsidiary of Phoenix TV, owns Class B ordinary shares, each of which will be entitled to 1.3 votes on all matter subject to shareholders vote, and we operate as a part of the Phoenix TV Group. Phoenix TV may from time to time make strategic decisions that it believes are in the best interests of its business as a whole, including our company. These decisions may be different from the decisions that we would have made on our own. Phoenix TV s decisions with respect to us or our business may be resolved in ways that favor Phoenix TV and therefore Phoenix TV s own shareholders, which may not coincide with the interests of our other shareholders. We may not be able to resolve any potential conflicts, and even if we do so, the resolution may be less favorable to us than if we were dealing with non-controlling shareholder. Even if both parties seek to transact business on terms intended to approximate those that could have been achieved among unaffiliated parties, this may not succeed in practice.

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC governmental restrictions on foreign investment in Internet businesses, or if these regulations or the interpretation of existing regulations change in the future, we would 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 and mobile businesses. Specifically, pursuant to the *Regulations for Administration of Foreign-Invested Telecommunications Enterprises* issued by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016, foreign ownership in an Internet content provider or other value-added telecommunication service providers may not exceed 50%. We conduct our operations in China principally through contractual arrangements among our wholly-owned PRC subsidiary, Fenghuang On-line and Qieyiyou, and three affiliated consolidated entities in the PRC, namely, Yifeng Lianhe, Tianying Jiuzhou and Chenhuan, and their respective shareholders. Yifeng Lianhe holds the licenses and permits necessary to conduct our mobile business in China, while Tianying Jiuzhou holds the licenses and permits necessary to conduct our Internet portal, video, mobile business, and Internet advertising and related businesses in China. Our contractual arrangements with Yifeng Lianhe, Tianying Jiuzhou and Chenhuan, and their respective shareholders enable us to exercise effective control over these entities and hence treat them as our affiliated consolidated entities and consolidate their results. For a detailed discussion of these contractual arrangements, see Item 4. Information on the Company C. Organizational Structure.

We cannot assure you, however, that we will be able to enforce these contracts. Although we believe we are in compliance with current PRC regulations, we cannot assure you that the PRC government would agree that these contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations. For example, it is uncertain that how the FIL, when it come in force, or its implementation rules, may impact the viability of our current corporate structure in the future. See Item 3. Key Information D. Risk Factors Risks Relating to Doing Business in China Uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations. 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 PC websites or mobile applications and mobile websites, require us to restructure our operations, impose additional conditions or requirements with which we may not be able to comply, or take other regulatory or enforcement actions against us that could be harmful to our business. The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business.

In August 2011, MOFCOM promulgated the *Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, or the MOFCOM Security Review Rules, to implement the *Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* promulgated on February 3, 2011, or Circular No. 6. The MOFCOM Security Review Rules came into effect on September 1, 2011 and replaced the *Interim Provisions of MOFCOM on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* promulgated by MOFCOM in March 2011. According to these circulars and rules, a security review is required for mergers and acquisitions by foreign investors having national defense and security concerns and mergers and acquisitions by which foreign investors may acquire the de facto control of domestic enterprises having national security concerns. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review, MOFCOM will look into the substance and actual impact of the transaction. The MOFCOM Security Review Rules further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that our online game business falls into the scope subject to the security review, and there is no requirement for foreign investors in those mergers and acquisitions transactions already completed prior to the promulgation of Circular No. 6 to submit such transactions to MOFCOM for security review. As we have already obtained the de facto control over our variable interest entities prior to the effectiveness of these circulars and rules and our current business would not have concerns on national defense and security or national security, we do not believe we are required to submit our existing contractual arrangement to MOFCOM for security review. However, as there is a lack of clear statutory interpretation on the implementation of these circulars and rules, there is no assurance that MOFCOM will have the same view as we do when applying.

Table of Contents

We rely on contractual arrangements with our affiliated consolidated entities in China, and their shareholders, for our business operations, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interests.

We rely on and expect to continue to rely on contractual arrangements with our affiliated consolidated entities in China and their respective shareholders to operate our Internet and mobile businesses. These contractual arrangements may not be as effective in providing us with control over the affiliated consolidated entities as ownership of controlling equity interests would be in providing us with control over, or enabling us to derive economic benefits from the operations of, the affiliated consolidated entities. If we had direct ownership of the affiliated consolidated entities, we would be able to exercise our rights as a shareholder to (i) effect changes in the board of directors of those entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level, and (ii) derive economic benefits from the operations of the affiliated consolidated entities by causing them to declare and pay dividends. However, under the current contractual arrangements, as a legal matter, if any of the affiliated consolidated entities or any of their shareholders fails to perform its, his or her respective obligations under these contractual arrangements, we may have to incur substantial costs and resources to enforce such arrangements, and rely on legal remedies available under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective. For example, if shareholders of an affiliated consolidated entity were to refuse to transfer their equity interests in such affiliated consolidated entity to us or our designated persons when we exercise the purchase option pursuant to these contractual arrangements, we may have to take a legal action to compel them to fulfill their contractual obligations.

If (i) the applicable PRC authorities invalidate these contractual arrangements for violation of PRC laws, rules and regulations, (ii) any affiliated consolidated entity or its shareholders terminate the contractual arrangements or (iii) any affiliated consolidated entity or its shareholders fail to perform their obligations under these contractual arrangements, our business operations in China would be adversely and materially affected, and the value of your ADSs would substantially decrease. Further, if we fail to renew these contractual arrangements upon their expiration, we would not be able to continue our business operations unless the then current PRC law allows us to directly operate the applicable businesses in China.

In addition, if any affiliate consolidated entity or all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and operating results. If any of the affiliated consolidated entities undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, our ability to generate revenue and the market price of your ADSs.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. The legal environment in the PRC is not as developed as in some 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. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our operating entities, and our ability to conduct our business may be negatively affected.

The shareholders of our affiliated consolidated entities may have potential conflicts of interest with us.

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in Internet and mobile businesses. The shareholders of our affiliated consolidated entities are individuals who are PRC citizens. None of the shareholders of our affiliated consolidated entities are significant shareholders of our company. Therefore, the interests of these individuals as shareholders of the affiliated consolidated entities and the interests of our company may conflict. We cannot assure you that when conflicts of interest arise, any or all of these individuals will act in the best interests of our company or that any conflict of interest will be resolved in our favor. In addition, these individuals may breach or cause the affiliated consolidated entities that they beneficially own to breach or refuse to renew the existing contractual arrangements, which will have an adverse effect on our ability to effectively control our affiliated consolidated entities and receive economic benefits from them. Currently, we do not have existing arrangements to address potential conflicts of interest between these shareholders and our company. We rely on these shareholders to abide by the laws of the Cayman Islands and China. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of the affiliated consolidated entities, we would have to rely on legal proceedings, the outcome of which is uncertain and which could be disruptive to our business.

The contractual arrangements with the affiliated consolidated entities may be subject to scrutiny by the PRC tax authorities and may result in a finding that we owe additional taxes or are ineligible for tax exemption, or both, which could substantially increase our taxes owed and thereby reduce our net income.

Under applicable PRC laws, rules and regulations, arrangements and transactions between related parties may be subject to audits or challenges by the PRC tax authorities. If any of the transactions we have entered into between our wholly-owned subsidiary in China and any of the affiliated consolidated entities and their respective shareholders are determined by the PRC tax authorities not to be on an arm s length basis, or are found to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, the PRC tax authorities may adjust the profits and losses of such affiliated consolidated entity and assess more taxes on it. In addition, the PRC tax authorities may impose late payment fees and other penalties to such affiliated consolidated entity for under-paid taxes. Our net income may be adversely and materially affected if the tax liabilities of any of the affiliated consolidated entities increase or if it is found to be subject to late payment fees or other penalties.

Table of Contents

We rely on dividends and other distributions on equity from our PRC subsidiaries to fund any cash and financing requirements we have, and 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 and our non-PRC subsidiaries rely on dividends and other distributions on equity from our PRC subsidiaries, for our cash requirements, including the funds necessary to repay the short-term loans or service any debt we may incur. If our PRC subsidiaries incur debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements Fenghuang On-line and Qieyiyou currently have in place with the respective affiliated consolidated entities in a manner that would materially and adversely affect the ability of Fenghuang On-line and Qieyiyou to pay dividends and other distributions to us. Further, relevant PRC laws, rules and regulations permit payments of dividends by our PRC subsidiaries only out of their retained earnings, if any, determined in accordance with accounting standards and regulations of China. Our PRC subsidiaries must set aside at least 10% of after-tax income each year to reserve funds prior to payment of dividends until the cumulative fund reaches 50% of their respective registered capital. As a result of these PRC laws, rules and regulations, our PRC subsidiaries are restricted from transferring a portion of their net assets to us whether in the form of dividends. As of December 31, 2018, our consolidated retained earnings were RMB159.6 million (US$23.2 million), out of which our PRC subsidiaries retained earnings were approximately RMB1,038.3 million (US$151.0 million). Any limitation on the ability of our PRC subsidiaries to pay dividends to us and our non-PRC subsidiaries could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, repay loans or otherwise fund and conduct our business.

Strengthened scrutiny over acquisition and disposition transactions by the PRC tax authorities may have a negative impact on us or your disposition of our shares or ADS.

Our operations and transactions are subject to review by the PRC tax authorities pursuant to relevant PRC laws and regulations. However, these laws, regulations and legal requirements change frequently, and their interpretation and enforcement involve uncertainties. For example, on April 30, 2009, the Ministry of Finance and the State Administration of Taxation jointly issued the *Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business*, or Circular 59. On December 10, 2009, the *State Administration of Taxation issued the Notice on Strengthening the Management on Enterprise Income Tax for Equity Transfers of Non-resident Enterprises*, or Circular 698. Both Circular 59 and Circular 698 became effective retroactively on January 1, 2008. Pursuant to the two circulars, in the event that we dispose of any equity interests in WOFE, whether directly or indirectly, we may be subject to income tax on capital gains generated from disposal of such equity interests. The PRC tax authorities have the discretion under Circular 59 and Circular 698 to make adjustments to taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of the corresponding investment. If the PRC tax authorities make such an adjustment, our income tax costs will be increased.

By promulgating and implementing the circulars, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer by non-resident enterprises of equity interests in PRC resident enterprises. For example, Circular 698 specifies that the PRC State Administration of Taxation is entitled to redefine the nature of an equity transfer where offshore holding vehicles are interposed for tax-avoidance purposes and without reasonable commercial purpose. On February 3, 2015, the State Administration of Taxation issued the Notice on Several Issues regarding Enterprise Income Tax for Indirect Property Transfer by Non-resident Enterprises, or SAT Circular 7, which further specifies the criteria for judging reasonable commercial purpose, and the legal requirements for the voluntary reporting procedures and filing materials in the case of indirect property transfer. SAT Circular 7 has listed several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. However, despite these factors, an indirect transfer satisfying all the following criteria shall be deemed to lack reasonable commercial purpose and be taxable under the PRC laws: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gains derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the scope of the safe harbor under SAT Circular 7 may not be subject to PRC tax and such safe harbor includes qualified group restructuring, public market trading and tax treaty exemptions. Under SAT Circular 7, the entities or individuals obligated to pay the transfer price to the transferor shall be the withholding agent and shall withhold the PRC tax from the transfer price. If the withholding agent fails to do so, the transferor shall report to and pay the PRC tax to the PRC tax authorities. In case neither the withholding agent nor the transferor complies with the obligations under SAT Circular 7, other than imposing penalties such as late payment interest on the transferors, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent, provided that such penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

On October 17, 2017, the SAT released the *Public Notice Regarding Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source*, or SAT Public Notice 37, effective from December 1, 2017. SAT Public Notice 37 replaced a series of important circulars, including but not limited to SAT Circular 698, and revised the rules governing the administration of withholding tax on China-source income derived by non-resident enterprises. SAT Public Notice 37 made certain key changes to the current withholding regime such as (i) the withholding obligation for dividend payment to non-resident enterprises arises on the day the payment is actually made rather than the day of the board resolution to declare the dividends; and (ii) the self-reporting requirements on non-resident enterprises in certain circumstances is removed.

It is not clear to what extent the holders of our shares or ADS may be subject to these requirements. We have conducted and may conduct acquisitions and dispositions involving complex corporate structures, and we may not be able to make timely filings with the PRC tax authorities as required. The PRC tax authorities may, at their discretion, impose or adjust the capital gains on us or the holders of our shares or ADS or request us or the holders of our shares or ADS to submit additional documentation for their review in connection with any relevant acquisition or disposition, and thus cause us or the holders of our shares or ADS to incur additional costs.

Risks Relating to Doing Business in China

Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our services and materially and adversely affect our competitive position.

Since substantially all of our business operations are conducted in China, our business, financial condition, operating results and prospects are significantly affected by economic, political, social and legal developments in China, and by continued growth in China as a whole. The Chinese economy differs from the economies of most developed countries in many respects, including:

- the degree of government involvement;
- the level of development;
- the growth rate;
- the control of foreign exchange;
- access to financing; and
- the allocation of resources.

Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development. The Chinese government also exercises significant control over China s economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has grown significantly in the past years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage or contain economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on our operations. For example, our operating results and financial condition may be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, in the past the PRC government has implemented certain measures, including increases in interest rates and the reserve requirement ratio of the People s Bank of China, or the PBOC, to control the pace of growth.

Furthermore, there have been ongoing discussions and commentary regarding potential significant changes to the United States trade policies, treaties, tariffs and taxes, including trade policies and tariffs regarding China. These changes have created significant uncertainty about the future relationship between the United States and China. It is uncertain what measures will be adopted by the governments of the United States and China and such measures, or the perception that any of them could occur, may have a material adverse effect on our region, global economic conditions and the stability of global financial markets.

It is unclear whether PRC economic policies will be effective in sustaining stable economic growth in the future. In addition, other economic measures, as well as future actions and policies of the PRC government, could also materially affect our liquidity and access to capital and our ability to operate our business. Substantially all of our assets are located in China and substantially all of our revenues are derived from our operations in China. Accordingly, our business, financial condition, operating results and prospects are subject, to a significant extent, to economic, political and legal developments in China.

Uncertainties with respect to the PRC legal system could limit the protections available to you and us.

The PRC legal system is a civil law system based on written statutes. Unlike in the common law system, prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. We conduct substantially all of our business through our subsidiary and consolidated affiliates and their subsidiaries established in China. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of Chinese administrative and court proceedings and the level of legal protection we enjoy in China than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our employees, business partners, customers and suppliers. In addition, such uncertainties, including the inability to enforce our contracts, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other countries. Accordingly, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. For instance, on March 15, 2019, the National People s Congress promulgated the FIL, which will take effect on January 1, 2020. See Item 4. Information on the Company B. Business Overview Regulatory Matters Foreign Investment Law. Substantial uncertainties still exist with respect to the interpretation and implementation of these new laws. As a result, we may not be aware of how it may impact the viability of our current corporate structure, corporate governance and business operations. These uncertainties could limit the legal protections available to us and other foreign investors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

Table of Contents

Fluctuations in exchange rates of the Renminbi could materially affect our reported operating results.

The exchange rates between the Renminbi and the U.S. dollar, Euro and other foreign currencies is affected by, among other things, changes in China s political and economic conditions. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. From December 31, 2015 to December 31, 2016, the Renminbi depreciated approximately 7.2% against the U.S. dollar. In 2017, however, the RMB appreciated approximately 6.3% against the U.S. dollar; and in 2018, the RMB depreciated approximately 5.7% against the U.S. dollar. 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. It remains unclear what further fluctuations may occur or what impact this will have on our results of operations.

As we may rely on dividends and other fees paid to us by our subsidiary and affiliated consolidated entities in China, any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. To the extent that we need to convert U.S. dollars we will receive from any offshore financing that we may undertake in the future into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes or commercial reasons, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. We recorded foreign exchange gain of RMB9.6 million in 2016, foreign exchange loss of RMB23.6 million in 2017, and foreign exchange gain of RMB6.8 million (US$1.0 million) in 2018, primarily due to the RMB fluctuation against the U.S. dollar. Our operating results are sensitive to changes in exchange rates of the Renminbi. Future fluctuations that are adverse to us could have a material adverse effect on our results of operation, financial condition or liquidity.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China, based on United States or other foreign laws, against us, our management or the experts named in this annual report.

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a majority of our senior executive officers reside within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon our senior executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, our PRC counsel has advised us that China does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of legal judgments.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the net proceeds from any offshore financing that we may undertake in the future to make loans or additional capital contributions to our PRC subsidiaries and affiliated consolidated entities.

In utilizing the net proceeds from our initial public offering, as an offshore holding company of our PRC subsidiaries and affiliated consolidated entities, we may make loans to our PRC subsidiaries and affiliated consolidated entities, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our subsidiary or affiliated consolidated entities in China are subject to PRC regulations, registrations and/or approvals. For example, loans by us, as an offshore holding company, to our affiliated consolidated entities must be approved by the relevant government authorities and registered with the State Administration of Foreign Exchange or SAFE, or its local counterpart. If we provide loans to our PRC subsidiaries, the total amount of such loans may not exceed the statutory limit such loans need to be registered with the SAFE which usually takes no more than 20 working days to complete. The cost of completing such registration is minimal. We may also determine to finance our PRC subsidiaries by means of capital contributions. These capital contributions shall go through record-filing procedures from MOFCOM or its local counterpart. Because the affiliated consolidated entities are domestic PRC enterprises, we are not likely to finance their activities by means of capital contributions due to regulatory issues relating to foreign investment in domestic PRC enterprises, as well as the licensing and other regulatory issues. We cannot assure you that we can obtain the required government registrations or record-filings on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries or any of the affiliated consolidated entities. If we fail to receive such registrations or record-filings, our ability to use the net proceeds from our initial public offering and to fund our operations in China would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

Table of Contents

In addition, on August 29, 2008, SAFE promulgated the *Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises*, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into Renminbi by restricting how the converted Renminbi may be used. SAFE Circular 142 provides that the Renminbi capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC, unless it is provided for otherwise. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from foreign currency registered capital of a foreign-invested company. The use of such Renminbi capital may not be altered without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. As to the latest development, on March 30, 2015, SAFE issued the *Circular on the Management Concerning the Reform of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises*, or SAFE Circular 19, which became effective on June 1, 2015 and replaced SAFE Circular 142. Pursuant to SAFE Circular 19, up to 100% of foreign currency capital of foreign-invested enterprise may be converted into RMB capital according to the actual operation of the enterprise within the business scope at its will and the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may be used for equity investments within the PRC. However, under SAFE Circular 19, RMB capital converted from foreign currency registered capital of a foreign-invested company still may not in any case be used to advance the RMB entrusted loan or repay RMB loans if the proceeds of such loans have not been used. SAFE promulgated the *Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account*, or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to nonassociated enterprises. As such, if we engage in any offshore financing in the future and convert the net proceeds we may receive from such financing into Renminbi and repatriate these funds into China pursuant to SAFE Circular 19, our use of Renminbi funds will need to be for purposes within the approved business scope of our PRC subsidiaries, which may limit our ability to deploy our funds in the most desirable manner.

If the PRC government finds that our PRC beneficial owners are subject to the SAFE registration requirement under SAFE Circular 37 and the relevant implementing rules and our PRC beneficial owners fail to comply with such registration requirements, such PRC beneficial owners may be subject to personal liability, our ability to acquire PRC companies or to inject capital into our PRC subsidiaries may be limited, our PRC subsidiaries ability to distribute profits to us may be limited, or our business may be otherwise materially and adversely affected.

On July 4, 2014, SAFE issued the *Circular on Several Issues Concerning Foreign Exchange Administration of Domestic Residents Engaging in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles*, or SAFE Circular 37, which became effective on the same date. SAFE Circular 37 and its detailed guidelines require PRC residents to register with the local branch of SAFE before contributing their legally owned onshore or offshore assets or equity interests into any special purpose vehicle, or SPV, directly established, or indirectly controlled, by them for the purpose of investment or financing; SAFE Circular 37 further requires that when there is (i) any change to the basic information of the SPV, such as any change relating to its individual PRC resident shareholders, name or operation period or (ii) any material change, such as increase or decrease in the share capital held by its individual PRC resident shareholders, a share transfer or exchange of the shares in the SPV, or a merger or split of the SPV, the PRC resident must register such changes with the local branch of SAFE on a timely basis. See Item 4. Information on the Company B. Business Overview Regulatory Matters Regulation of Foreign Exchange Registration of Offshore Investment by PRC Residents.

Based on the opinion of our PRC counsel, Zhong Lun Law Firm, we understand that the aforesaid registration requirement under SAFE Circular 37 and the relevant implementing rules do not apply to our PRC subsidiaries or our PRC resident beneficial owners due to the following reasons: (i) our company was incorporated and controlled by Phoenix TV, a Hong Kong listed company, rather than any PRC residents defined under SAFE Circular 37; (ii) none of the former or current shareholders of our PRC affiliated consolidated entities established or acquired interest in our company by injecting the assets of, or equity interests in, our affiliated consolidated entities; and (iii) before the public listing of our ADSs, all of our PRC resident beneficial owners obtained interest in our company through exercise of options granted to them under our employee share option plan. However, we cannot assure you that the PRC government would hold the same opinion as us, and the relevant government authorities have broad discretion in interpreting these rules and regulations. If SAFE or any of its local branches requires our PRC resident beneficial owners to register their interest in our company pursuant to SAFE Circular 37 and the related implementing rules, we will request our PRC resident beneficial owners to make the necessary registration, filings and amendments as required. However, we cannot provide any assurances that these PRC resident beneficial owners will apply for and complete any applicable registrations, filing and amendments. The failure or inability of such PRC resident beneficial owners to do so may subject our PRC subsidiaries to fines or legal sanctions, restrictions on our cross-border investment activities or our PRC subsidiaries 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.

Table of Contents

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

Under the applicable PRC regulations, domestic individuals (including both PRC residents and non-PRC residents who reside in the PRC for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) who participate in employee stock plans or stock option plans of an overseas publicly-listed company are required to register with SAFE and complete certain other procedures. If a domestic individual participates in any stock incentive plan of an overseas listed company, a qualified PRC domestic agent, which can be the PRC subsidiaries of such overseas listed company, shall, among other things, file, on behalf of such individual, an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan, and obtain approval for an annual allowance with respect to the foreign exchange conversion in connection with the stock purchase or stock option exercise. Such PRC individuals foreign exchange income received from the sale of stocks and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in the PRC opened and managed by the PRC domestic agent before distribution to such individuals. See Item 4. Information on the Company B. Business Overview Regulatory Matters SAFE Regulation of Stock Incentive Plan. We and our employees who are domestic individuals participating in stock incentive plans are subject to these regulations. Our share incentive plans had been registered with SAFE when we became a public company listed on the New York Stock Exchange. We cannot assure you, however, that we will be able to complete relevant registration for new employees who participate in our share incentive plans in the future, in a timely manner or at all. If we or such employees fail to comply with these regulations, we or such employees may be subject to fines and other legal or administrative sanctions.

The approval of the China Securities Regulatory Commission, or the CSRC, may have been required in connection with our initial public offering. Our failure to obtain this approval, if required, could have a material adverse effect on our business, operating results, reputation and trading price of our ADSs.

According to the 2006 M&A Rules, an offshore special purpose vehicle, or SPV, refers to an overseas company controlled directly or indirectly by domestic companies or individuals for purposes of overseas listing of equity interests in domestic companies (defined as enterprises in the PRC other than foreign invested enterprises). If an SPV purchases, for the purpose of overseas listing and by means of paying consideration in shares of such SPV, domestic interests held by PRC domestic companies or individuals controlling such SPV, then the overseas listing by the SPV must obtain the approval of the CSRC. However, the applicability of the 2006 M&A Rules with respect to CSRC approval is unclear. The CSRC currently has not issued any definitive rule concerning whether offerings like the offering contemplated by our company are subject to the 2006 M&A Rules and related clarifications.

Our PRC counsel, Zhong Lun Law Firm, has advised us that the 2006 M&A Rules do not require that we obtain prior CSRC approval for the listing and trading of our ADSs on the New York Stock Exchange, given that:

- the CSRC approval requirement applies to SPVs that acquired equity interests in PRC companies through share exchanges and seek overseas listing;

- Fenghuang On-line and Qieyiyou were incorporated indirectly by Phoenix TV, a Hong Kong-listed company, rather than an SPV as defined under the 2006 M&A Rules; and

• Fenghuang On-line and Qieyiyou were incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our company of the equity interests or assets of any domestic company as defined under the 2006 M&A Rules, and no provision in the 2006 M&A Rules classifies the contractual arrangements between Fenghuang On-line and Qieyiyou and each of the affiliated consolidated entities as a type of acquisition transaction falling under the 2006 M&A Rules.

Our PRC counsel has further advised us that there are uncertainties regarding the interpretation and application of relevant PRC laws, regulations and rules. If the CSRC subsequently determines that its prior approval is required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations, limit our operating privileges, delay or restrict sending the proceeds from our initial public offering into China, or take other actions that could have a material adverse effect on our business, financial condition, operating results, reputation and prospects, as well as the trading price of our ADSs.

We cannot predict when the CSRC may promulgate additional rules or other guidance, if at all. Implementing rules or guidance, to the extent issued, may fail to resolve current ambiguities under this new PRC regulation. Uncertainties and/or negative publicity regarding this new PRC regulation could have a material adverse effect on the trading price of our ADSs.

The approval of MOFCOM may be required in connection with the establishment of our contractual arrangements with the affiliated consolidated entities. Our failure to obtain this approval, if required, could have a material adverse effect on our business, operating results, reputation and trading price of our ADSs.

The 2006 M&A Rules also provide that approval by MOFCOM is required prior to a foreign company acquiring a PRC domestic company where the foreign company and the domestic company have the same de facto controlling person(s) that are PRC domestic individual(s) or enterprise(s). The applicability of the 2006 M&A Rules with respect to MOFCOM s approval is unclear.

Our PRC legal counsel has advised us that an approval from MOFCOM is not required under 2006 M&A Rules for our contractual arrangements among Fenghuang On-line, Qieyiyou and each of the affiliated consolidated entities, based on their understanding of the current PRC laws, rules and regulations, given that Fenghuang On-line was incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our company of the equity interests or assets of any domestic company as defined under the 2006 M&A Rules, and no provision in the 2006 M&A Rules classifies the contractual arrangements between Fenghuang On-line, Qieyiyou and each of the respective affiliated consolidated entities as a type of acquisition transaction falling under the 2006 M&A Rules.

However, if MOFCOM subsequently determines that its prior approval was required for our contractual arrangements with the affiliated consolidated entities, we may face regulatory actions or other sanctions from MOFCOM or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on us and the affiliated consolidated entities, which require us to restructure our ownership structure or operations, limit our operations, delay or restrict sending the net proceeds from our initial public offering into China, or take other actions. These regulatory actions could have a material adverse effect on our business, financial condition, operating results, reputation and prospects, as well as the trading price of our ADSs.

Table of Contents

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

Dividends we receive from our PRC subsidiaries located in the PRC may be subject to PRC withholding tax.

The CIT Law provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are non-resident enterprises, to the extent such dividends are derived from sources within the PRC, and the State Council of the PRC has reduced such rate to 10% through the implementation regulations. We are a Cayman Islands holding company and substantially all of our income may be derived from dividends we receive from our subsidiary located in the PRC. Thus, dividends from our subsidiary in China may be subject to the 10% income tax if we are considered as a non-resident enterprise under the CIT Law. If we are required under the CIT Law to pay income tax for any dividends we receive from our subsidiary in China, it would materially and adversely affect the amount of dividends, if any, we may pay to our shareholders and ADS holders.

We may be deemed a PRC resident enterprise under the CIT Law and be subject to the PRC taxation on our worldwide income.

The CIT Law also provides that enterprises established outside of China whose de facto management bodies are located in China are considered resident enterprises and are generally subject to the uniform 25% enterprise income tax rate as to their worldwide income. Under the implementation regulations for the CIT Law issued by the PRC State Council, de facto management body is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposal of properties and other assets of an enterprise. Although substantially all of our PRC operational entities management is currently based in the PRC, it is unclear whether PRC tax authorities would treat us as a PRC resident enterprise. Despite the present uncertainties as a result of limited guidance from PRC tax authorities on the issue, we do not believe that our legal entities organized outside of the PRC should be treated as residents under the CIT Law. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and an adverse effect on our net income and operating results.

Dividends payable by us to our foreign investors and gain on the sale of our ADSs or ordinary shares may become subject to taxes under PRC tax laws.

Under the CIT Law and implementation regulations issued by the State Council, PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are non-resident enterprises , which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs or shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. The implementation regulations of the CIT Law set forth 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 CIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC tax resident enterprise for tax purposes, the dividends we pay to our non-PRC enterprise investors with respect to our ordinary shares or ADSs, or the gain our non-PRC enterprise investors may realize from the transfer of our ordinary shares or ADSs, may be treated as income derived from sources within the PRC and be subject to PRC withholding tax. In addition, it is unclear whether our non-PRC individual investors would be subject to any PRC tax in the event we are deemed a PRC resident enterprise . If any PRC tax were to apply to such dividends or gains of non-PRC individual investors, it would generally apply at a tax rate of 20%. Furthermore, it is unclear in these circumstances whether holders of our ordinary shares or ADSs would be able to claim the benefit of income tax treaties entered into between China and other countries or regions. If we are required under the PRC law to withhold PRC income tax on dividends payable to our non-PRC investors, or if you are required to pay PRC income tax on the transfer of our ordinary shares or ADSs, the value of your investment in our ordinary shares or ADSs may be materially and adversely affected.

We may be required to register our operating offices not located at our residence addresses as branch companies under PRC law.

Under PRC law, a company setting up premises outside its resident address for business operations must register such operating offices with the relevant local industry and commerce bureau at the place where such premises are located as branch companies and shall obtain business licenses for such branches. Our affiliated consolidated entities have operations at locations other than their respective resident addresses. If the PRC regulatory authorities determine that we are in violation of relevant laws and regulations, we may be subject to relevant penalties, including fines, confiscation of income, and suspension of operation. If we are subject to these penalties, our business, operating results, financial condition and prospects could be materially and adversely affected.

Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by the Public Company Accounting Oversight Board and consequently investors may be deprived of the benefits of such inspection.

Our auditor, the independent registered public accounting firm that issued the audit reports included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with applicable professional standards. Our auditor is located in, and organized under the laws of, the PRC, which is a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities. In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or CSRC, and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB, the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. The PCAOB continues to be in discussions with the CSRC, and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges.

Table of Contents

On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. However, it remains unclear what further actions, if any, the SEC and the PCAOB will take to address the problem.

This lack of the PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our ordinary shares are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm s audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in our stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

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

In December 2012, the SEC instituted administrative proceedings against the Big Four PRC-based accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC s rules and regulations thereunder by failing to provide to the SEC the firms audit work papers with respect to certain PRC-based companies that are publicly traded in the United States.

On January 22, 2014, the administrative law judge, or the ALJ, presiding over the matter rendered an initial decision that each of the firms had violated the SEC s rules of practice by failing to produce audit papers and other documents to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months.

On February 6, 2015, the four China-based accounting firms each agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S.-listed companies. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to Chinese firms audit documents via the CSRC. Under the terms of the settlement, the underlying proceeding against the four China-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if the SEC will further challenge the four China-based accounting firms compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties such as suspensions, if the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with the SEC requirements could ultimately lead to the delisting of our ADSs from the New York Stock Exchange or the termination of the registration of our ADSs and Class A ordinary shares under the Securities Exchange Act of 1934, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People s Congress promulgated the Foreign Investment Law or the FIL, which will take effect on January 1, 2020, and replace the existing laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, or Existing FIE Laws, together with their implementation rules and ancillary regulations. The FIL 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. See Item 4. Information on the Company B. Business Overview Regulation Regulation on Foreign Investment.

However, uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of variable interest entities contractual arrangements, the promulgation schedule of both the negative list under the FIL and specific rules regulating the organization form of foreign-invested enterprises within the five-year transition period. While FIL does not define contractual arrangements as a form of foreign investment explicitly, we cannot assure you that future laws and regulations will not provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our VIEs through contractual arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, or if any of our operations through contractual arrangements is classified in the restricted or prohibited industry in the future negative list under the FIL, our contractual arrangements may be deemed as invalid and illegal, and we may be required to unwind the variable interest entity contractual arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Furthermore, under the FIL, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. In addition, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within a five-year transition period, which means that we may be required to adjust the structure and corporate governance of certain of our PRC subsidiaries in such transition period. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

Table of Contents

Press reports concerning possible increased scrutiny by Chinese authorities of the VIE structure used by us and various other Chinese companies publicly-traded in the United States appear to have created concern among investors and caused the price of our common stock to drop, and such reports may have such an effect in the future.

We operate a VIE structure in which substantially all of our operations in China are conducted by our affiliated consolidated entities, in which we do not own any equity interest, through our contractual arrangements. In the recent past, various prominent Western news outlets reported that the MOFCOM and the China Securities Regulatory Commission, among other Chinese regulatory authorities, may be considering increased scrutiny or enhanced regulation of Chinese companies that use VIE structures as a means of complying with Chinese laws prohibiting or restricting foreign ownership of certain businesses in China, including businesses we are engaged in such as Internet information, content and services, online and mobile advertising, and mobile Internet and other value-added telecommunication services. Some of such news reports have also sought to draw a connection between recent widely reported accounting issues at certain Chinese companies and the use of VIE structures. Such news reports appear to have had the effect of causing significant drops in the market prices of the shares of several Chinese companies, including us, that are publicly-traded in the United States. We believe even if any such Chinese regulatory authorities were to increase scrutiny of VIE structures or adopt regulations specifically governing their use, the possibility is remote that any such scrutiny would have a material adverse impact on us or cause us to change our existing operational structure in any materially adverse way. However, it is possible that there will be such increased scrutiny or enhanced regulation in the future. In addition, while we are not aware of any causal connection between the recently reported accounting scandals and the use of VIE structures, it is possible that investors in our ADSs will believe that such a connection exists. Any of such circumstances could lead to further loss of investor confidence in Chinese companies such as ours and cause fluctuations in the market prices of our common stock and, if such prices were to drop sharply, could subject us to shareholder litigation, which could cause the price for our shares to drop further.

Risks Relating to Our ADSs

The market price for our ADSs may be volatile which could result in a loss to you.

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

- announcements by us or our competitors or other internet companies of competitive developments;
- changes in the market valuations or the operating performance of other internet companies;
- regulatory developments in China affecting us, our clients or our competitors;
- announcements regarding litigation or administrative proceedings involving us;

- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;
- addition or departure of our executive officers;
- public perception or negative news about our products or services;
- release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares or ADSs;
- sales or perceived sales of additional ordinary shares or ADSs; and
- fluctuations of exchange rates between RMB and the U.S. dollar. In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

Substantial future sales or perceived 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 March 31, 2019, we had 582,249,952 ordinary shares outstanding, including 317,325,360 Class B ordinary shares and 264,924,592 Class A ordinary shares part of which are represented by 33,115,574 ADSs. All ADSs sold in our initial public offering are freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act. The remaining ordinary shares outstanding are available for sale upon the expiration of any relevant lock-up periods, subject to volume and other restrictions that may be applicable under Rule 144 and Rule 701 under the Securities Act. In addition, ordinary shares that certain option holders will receive when they exercise their share options will not be available for sale until the expiration of any relevant lock-up periods, subject to volume and other restrictions that may be applicable under Rule 144 and Rule 701 under the Securities Act. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs.

Table of Contents

Our dual-class ordinary share structure with different voting rights 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 Class A ordinary shares and Class B ordinary shares, which are all at par value of US$0.01 each. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to 1.3 votes per share. Phoenix TV (BVI), which is wholly owned by Phoenix TV, holds Class B ordinary shares, each of which 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. Due to the disparate voting rights attached to these two classes, Phoenix TV (BVI) has significant voting rights over matters requiring shareholder approval, including the election and removal of directors and certain corporate transactions, such as mergers, consolidations and other business combinations. This concentrated control could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

Anti-takeover provisions in our articles of association may discourage a third party from offering to acquire our company, which could limit your opportunity to sell your ADSs at a premium.

Our currently effective, second amended and restated articles of association include provisions that could limit the ability of others to acquire control of us, modify our structure or cause us to engage in change of control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of us in a tender offer or similar transaction.

For example, our board of directors have the authority, without further action by our shareholders, to issue preference shares in one or more series and to fix the powers and rights of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares. Preference shares could thus be issued quickly with terms calculated to delay or prevent a change in control or make removal of management more difficult. In addition, if our board of directors issues preference shares, the market price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be adversely affected.

As a foreign private issuer, we are permitted to, and we may, rely on exemptions from certain NYSE corporate governance standards applicable to U.S. issuers. This may afford less protection to holders of our ordinary shares and ADSs.

The NYSE Listed Company Manual in general require listed companies to have, among other things, a majority of its board be independent, an audit committee consisting of a minimum of three members and a nominating and corporate governance committee consisting solely of independent directors. As a foreign private issuer, we are permitted to follow, and we follow, certain home country corporate governance practices instead of the above requirements of the NYSE Listed Company Manual. The corporate governance practice in our home country, the Cayman Islands, does not require a majority of our board to consist of independent directors or the implementation of an audit committee or nominating and corporate governance committee. We rely upon the relevant home country exemption and exemptions afforded to controlled companies in lieu of certain corporate governance practices, such as having less than a majority of the board be independent and establishing an audit committee consisting of two independent directors. As a result, the level of independent oversight over management of our company may afford less protection to holders of our ordinary shares and ADSs.

As a foreign private issuer, we are not subject to U.S. proxy rules and are subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. issuer.

As a foreign private issuer, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic issuers, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time, and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. In addition, the executive compensation disclosure requirements to which we are subject under Form 20-F are less rigorous than those required of U.S. issuers under Form 10-K. Furthermore, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are not large accelerated filers or accelerated filers are required to file their annual report on Form 10-K within 90 days after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation FD, aimed at preventing issuers from making selective disclosures of material information. Although we intend to make quarterly reports available to our shareholders in a timely manner and are required under the Exchange Act to provide current reports on Form 6-K, you may not have the same protections afforded to stockholders of companies that are not foreign private issuers.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under U.S. law, you may have less protection of your shareholder rights than you would under U.S. law.

Our corporate affairs are governed by our second amended and restated memorandum and articles of association, the Cayman Islands Companies Law (as amended) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. Furthermore, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States. As a result, public shareholders may have more difficulties in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as shareholders of a Delaware company.

Legislation enacted in the Cayman Islands and the British Virgin Islands as to economic substance may affect our corporate structure and cause us to incur additional compliance costs.

Each of our company and its subsidiary, Fread Limited, is an exempted company incorporated in the Cayman Islands. Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands, or Cayman ES Law, that came into force on January 1, 2019, a relevant entity is required to satisfy the economic substance test set out in the Cayman ES Law. A relevant entity includes an exempted company incorporated in the Cayman Islands (such as our company and Fread Limited); however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, if our company or Fread Limited is tax resident outside the Cayman Islands, we will not be required to satisfy the economic substance test set out in the ES Law.

One of our subsidiaries is a business company incorporated under the laws of the British Virgin Islands, or BVI, prior to January 1, 2019, or BVI Subsidiary. Pursuant to the Economic Substance (Companies and Limited Partnerships) Act, 2018 of the British Virgin Islands, or BVI ES Act, that came into force on January 1, 2019, if the BVI Subsidiary is carrying on a relevant activity , then it will be required to establish economic substance in the British Virgin Islands unless it is tax resident in another jurisdiction (other than a blacklisted jurisdiction).

As the Cayman ES Law and the BVI ES Act were recently adopted and there are still uncertainties regarding their interpretation and implementation, it is not possible at this stage to be definitive as to the extent of substance which our company, Fread Limited or the BVI Subsidiary will be required to have in the Cayman Islands or BVI respectively. We are awaiting further guidance from the Cayman and BVI governmental authorities to clarify the impact of the requirements in the Cayman ES Law and the BVI ES Act on our company, Fread Limited and the BVI Subsidiary.

We will make all endeavors to ensure our company, Fread Limited and the BVI Subsidiary comply with the economic substance requirements under the relevant legislation. However, in doing so, our company, Fread Limited and the BVI Subsidiary may incur additional compliance costs (such as payment of fees for attending to annual filings with the relevant governmental authorities); and/or if our company, Fread Limited or the BVI Subsidiary fail to satisfy the economic substance test set out in the Cayman ES Law or the BVI ES Act (as the case may be), we, Fread Limited and the BVI Subsidiary may initially be subject to penalty in accordance with the Cayman ES Law and the BVI ES Act respectively.

Judgments obtained against us by our shareholders may not be enforceable.

We are a Cayman Islands company and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted in the PRC. In addition, most of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors. Moreover, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of United States courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, there is uncertainty as to whether such Cayman Islands or PRC courts would be competent to hear original actions brought in the Cayman Islands or the PRC against us or such persons predicated upon the securities laws of the United States or any state.

Holders of ADSs must act through the depositary to exercise their rights as shareholders of our company.

Holders of our ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement for the ADSs. Under our second amended and restated memorandum and articles of association, the minimum notice period required to convene a general meeting is 10 days. When a general meeting is convened, you may not receive sufficient notice of a shareholders meeting to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders meeting.

The depositary for our ADSs will give us a discretionary proxy to vote our ordinary shares underlying your ADSs if you do not vote at shareholders meetings, except in limited circumstances, which could adversely affect your interests.

Under the deposit agreement for the ADSs, the depositary will give us a discretionary proxy to vote our ordinary shares underlying your ADSs at shareholders meetings if you do not vote, unless:

- we have failed to timely provide the depositary with our notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting; or
- a matter to be voted on at the meeting would have a material adverse impact on shareholders.

35

The effect of this discretionary proxy is that you cannot prevent our ordinary shares underlying your ADSs from being voted, absent the situations described above, and it may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

You may be subject to limitations on transfers 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.

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 or other distributions 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 the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary will not make rights available to you unless either both the rights and any related securities are registered under the Securities Act, or the distribution of them to ADS holders is exempted 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. Moreover, we may not be able to establish an 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.

In addition, the depositary 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 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 and you will not receive any such distribution.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Phoenix TV registered the domain name phoenixtv.com for its corporate website in 1998. Tianying Jiuzhou began operating this website after its establishment in April 2000. As part of the reorganization before its initial public offering, in September 1999, Phoenix TV incorporated Phoenix Satellite Television Information Limited in the British Virgin Islands to be the holding company of its new media business.

In November 2005, Mr. Shuang Liu, a vice president of Phoenix TV, was appointed to lead Phoenix TV s new media business. Upon his appointment, Mr. Liu began implementing his vision to transform the business from a mere corporate website of Phoenix TV into a new media company capitalizing on the future of new media convergence. Yifeng Lianhe was established in June 2006 to provide new media mobile services in China. In July 2007, Tianying Jiuzhou registered the domain name ifeng.com and redirected the traffic of phoenixtv.com and phoenixtv.com.cn to ifeng.com.

On November 22, 2007, Phoenix New Media Limited, an exempted limited liability company, was incorporated in the Cayman Islands as a subsidiary of Phoenix TV to be the holding company for its new media business. In May 2008, Phoenix Satellite Television (B.V.I.) Holding Limited transferred the sole outstanding share of Phoenix Satellite Television Information Limited to us in exchange for 319,999,999 ordinary shares of our company.

Fenghuang On-line was established in December 2005. On December 31, 2009, Fenghuang On-line entered into a series of contractual arrangements with each of Tianying Jiuzhou and Yifeng Lianhe and their respective shareholders to govern our relationships with Tianying Jiuzhou and Yifeng Lianhe, at which time we became operational in our current corporate structure. These contractual arrangements allow us to effectively control Tianying Jiuzhou and Yifeng Lianhe and to derive substantially all of the economic benefits from them. See C. Organizational Structure Contractual Arrangements with Our Affiliated Consolidated Entities.

On May 12, 2011, our ADSs began trading on the New York Stock Exchange under the ticker symbol FENG. We closed our initial public offering on May 17, 2011 and the underwriters subsequently exercised their over-allotment option on June 8, 2011. We issued and sold a total of 13,415,125 ADSs in these transactions, representing 107,321,000 Class A ordinary shares in the form of ADSs, raising US$137.2 million in proceeds to us before expenses but after underwriting discounts and commissions.

In December 2018 and March 2019, we acquired a total of 51% of the equity interests in Yitian Xindong, which owns Tadu Apps, to further develop our digital reading services. As a result of a series of contractual arrangements, we started to consolidate Yitian Xindong in our financial statements from December 28, 2018. See C. Organizational Structure for more details.

Our principal executive offices are located at Sinolight Plaza, Floor 16, No. 4 Qiyang Road, Wangjing, Chaoyang District, Beijing 100102, People s Republic of China. Our telephone number at this address is +(86) 10 6067 6000. Our registered office in the Cayman Islands is located at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., located at 801 2nd Avenue, Suite 403 New York, New York 10017.

Table of Contents

B. Business Overview

We are a leading new media company providing premium content on an integrated Internet platform, including PC and mobile, in China. Having originated from a leading global Chinese language TV network based in Hong Kong, Phoenix TV, we enable consumers to access professional news and other quality information and UGC, on the Internet and through their PCs and mobile devices. We also transmit our UGC and in-house produced content to TV viewers primarily through Phoenix TV. Our PC channel includes major verticals such as news, fashion, military, finance, web-based games, and digital reading. Our mobile channel includes our mobile news application, mobile video application, HTML5-based mobile Internet websites (mobile websites), mobile digital reading applications (Fanyue Novel and Tadu Apps). We also act as a service provider for telecom operators, providing content and mobile value-added services. The appeal of our brand is enhanced by its affiliation with the Phoenix ( ) brand of Phoenix TV.

According to iResearch, our number of PC daily unique visitors was 28.4 million, and number of monthly unique visitors was 270.3 million in December 2018. We have ranked third among all Internet portals in China in terms of daily unique visitors in December 2018, according to iResearch. We earn revenues from advertising and paid services, which accounted for 87.0% and 13.0% of our total revenues, respectively, in 2018.

Our net advertising revenues accounted for 85.3%, 85.9% and 87.0% of our total revenues in 2016, 2017 and 2018, respectively. We provide advertising services through PC channel and mobile channel, which accounted for 30.9% and 69.1% of our net advertising revenues respectively in 2018. We recognize revenues from our advertising services on a net basis, after deducting the agency service fees we pay to advertising agencies.

We see mobile devices as the primary gateway for news and other media content consumption going forward. In recent years, we have taken steps to evolve our business and shift our revenue mix towards our mobile channels, which we believe have greater potential for sustainable growth over the long term, and which have demonstrated robust growth in 2018. Our mobile advertising revenues increased by 5.9% to RMB827.9 million (US$120.4 million) in 2018 from RMB781.8 million in 2017. By continuing to strengthen our core competencies of content production capability, dedication to serious journalism and cutting-edge technology, we believe that we will be better positioned to capitalize on emerging opportunities as increasing numbers of consumers in China use Internet-enabled mobile devices to consume news and other media content.

We offer a wide variety of paid services primarily through our mobile channel and operations with the telecom operators. We classify our paid services into (i) digital entertainment, which includes digital reading and MVAS, and (ii) games and others, which includes web-based games, mobile games, content sales, and other online and mobile paid services through our own platforms. We derived 73.9% and 26.1% of our paid services revenues, respectively, from our digital entertainment and games and others in 2018. Due to a 42.3% decrease in the MVAS revenues mainly resulting from the decline in users demand for services provided through telecom operators in China, our paid services revenues decreased from RMB221.6 million in 2017 to RMB179.1 million (US$26.1 million) in 2018.

Our Relationship with Phoenix TV

We are a subsidiary of Phoenix TV, a leading Hong Kong-based satellite TV network broadcasting Chinese language content globally and into China. Phoenix TV indirectly owned 54.5% of our ordinary shares and 60.9% of the voting power of our ordinary shares as of March 31, 2019.

Fenghuang On-line and Phoenix TV entered into a cooperation agreement, or the Phoenix TV Cooperation Agreement, on November 24, 2009, which expired on May 27, 2016. Under this agreement, Fenghuang On-line and Phoenix TV agreed to certain cooperative arrangements in the areas of content, branding promotion and technology. Pursuant to the Phoenix TV Cooperation Agreement, in November 2009 Tianying Jiuzhou and Yifeng Lianhe entered into a program content license agreement, or Content License Agreement, with Phoenix Satellite Television Company Limited and a trademark license agreement, or Old Trademark License Agreement, with Phoenix Satellite Television Trademark Limited. Considering the significant growth and changes in our business since execution of these agreements in 2009, we and Phoenix TV Group entered into a new set of agreements in May 2016 and December 2017, or the New Agreements, to amend and replace the previous agreements and provide the terms of our continued cooperation. The New Agreements include Program Resource License Agreements and Program Text/Graphics Resource License Agreements, or the Program License Agreements, between Phoenix Satellite Television Company Limited and each of Tianying Jiuzhou, Yifeng Lianhe, and Fengyu Network, and trademark license agreements by and among Phoenix Satellite Television Trademark Limited and each of Tianying Jiuzhou and Yifeng Lianhe, or the New Trademark License Agreements. In addition, Phoenix Satellite Television Trademark Limited and Tianying Jiuzhou entered into four supplementary agreements to the New Trademark License Agreements in April 2018, August 2018 and October 2018, to grant Tianying Jiuzhou the right to sublicense certain trademarks to agents that operate local websites of our Company, which will expire in December 2020. Unlike the previous agreements, the New Agreements do not grant us the right to sublicense Phoenix TV Group s copyrighted content to third parties. Different from the Old Trademark License Agreement, the New Trademark License Agreements no longer allow us to use the double-phoenix logo of Phoenix TV Group on a stand-alone basis and increased the annual license fee payable to Phoenix TV Group from a total of US$10,000 to the greater of 2% of the annual revenues of Tianying Jiuzhou or Yifeng Lianhe (as the case may be) or US$100,000 for each company. Tianying Jiuzhou and Yifeng Lianhe had annual revenues of RMB298.0 million (US$43.3 million) in 2018 in accordance with U.S.GAAP, which meant that the annual license fee payable to Phoenix TV Group was RMB6.0 million (US$0.9 million) in 2018. Each of the New Trademark License Agreements has an initial term of three years and may be extended prior to expiration of its term with the written confirmation of Phoenix TV Group, and may be terminated earlier by Phoenix TV Group in the event of a material breach by us of any covenant or a material failure by us to perform any of our obligation and if the breach or failure, as applicable, is not rectified within a reasonable time or ten days of receipt of written notice from Phoenix TV Group. In addition, in the event that any of the shareholding structure of Tianying Jiuzhou or Yifeng Lianhe is changed which causes Phoenix TV Group to lose control of them, or any of Tianying Jiuzhou or Yifeng Lianhe is disqualified from conducting Internet service business due to applicable laws, Phoenix TV Group may terminate the New Trademark License Agreements immediately. Tianying Jiuzhou and Yifeng Lianhe are also granted a one-year license to continue to use the current marks of our two mobile applications which contain the Chinese words of Phoenix News and Phoenix Video which will be automatically renewed upon its expiration unless Phoenix TV Group raises any objection. We cannot assure you that we will be able to continue to use Phoenix TV Group s logos, which would have a material and adverse effect on our business, operating results and financial condition.

Table of Contents

We have a mutually beneficial relationship with Phoenix TV. We and Phoenix TV share a common vision of the convergence of traditional and new media channels, and work together to realize this vision. Pursuant to the Program License Agreements, Phoenix TV Group agreed to grant Tianying Jiuzhou, Yifeng Lianhe and Fengyu Network the license to use Phoenix TV Group s copyrighted content from three television channels of Phoenix TV Group for our various media services in China (excluding Hong Kong, Macau and Taiwan) We believe that our and Phoenix TV s active promotion of one another s brands on our respective Internet-enabled and TV platforms helps to grow our combined audience synergistically.

On February 17, 2014, our Chief Executive Officer, Mr. Shuang Liu, was also promoted to the position of chief operating officer of Phoenix TV. The key initiative for his position at Phoenix TV is to accelerate the convergence of TV, PC and mobile platforms of the two companies. As the chief operating officer of Phoenix TV, Mr. Liu is tasked with strategizing, overseeing and allocating resources to implement this convergence strategy. Through this appointment, both companies can more seamlessly expand user reach on each of its media platforms, provide advertisers a one-stop shop solution, more effectively monetize the Phoenix brand across all verticals, and achieve greater cost synergies.

For more information about the terms of each of the New Agreements, see C. Organizational Structure Our Relationship with Phoenix TV. For more information about the risks associated with our relationship with Phoenix TV, see Item 3. Key Information D. Risk Factors Risks Relating to Our Business and Industry We may not be able to continue to receive the same level of support from Phoenix TV Group in the future. We could lose our license and priority over any third party to use Phoenix TV Group s content, which would have an adverse effect on our paid services business, and would also negatively affect our video advertising business. Together, these impacts could have an adverse effect on our business and operating results and Item 3. Key Information D. Risk Factors Risks Relating to Our Corporate Structure We may have conflicts of interest with Phoenix TV and, because of Phoenix TV s controlling beneficial ownership interest in our company, may not be able to resolve such conflicts on terms favorable for us.

Our Content

We strive to deliver the most up-to-date, in-depth, exclusive and thought-provoking content to our users. Content selection, editing and production are core focuses of our business. We obtain our content from three major sources: third-party professional media companies, our original contents with intellectual property rights, or IP content, and we-media. The content we acquire covers a wide spectrum of user-targeted subjects, including news, current affairs, finance, technology, automobiles, fashion and entertainment, among others. We believe that we have provided the earliest video and text media coverage among Chinese media companies of certain major world events. We are uniquely positioned among our peers in China to be able to distribute our content on TV. We feed a substantial amount of in-house produced content and UGC to a number of Phoenix TV s regular prime-time programs each day. We also provide our in-house produced content to domestic TV networks.

Third-Party Professional Content. We have entered into content licensing agreements with approximately 475 professional content providers in aggregate. We obtain our print content from major Chinese print media and news wires and selected international sources. Our Chinese content sources include companies such as China News Service, Xinhua News Agency and the Huanqiu.com, as well as China s top ten image providers. Our international sources include Reuters, The Associated Press and Agence France Presse, among others. The video content we source from third parties is primarily comprised of news and documentaries, which cater to our users preferences. We obtain our third-party video content from major Chinese television broadcasters, such as Shenzhen Satellite TV, Shanxi Satelite TV and Sichuan Satellite TV. The content that we source from professional third parties comprises the majority of the content on our PC websites, mobile applications and mobile websites.

Original IP Content. We produce investigative reports, exclusive video programs and event-based coverage in-house. We frequently conduct interviews with government officials, thought leaders, celebrities and other compelling public figures and we have provided coverage on hundreds of conferences and forums. We transmit a considerable amount of our in-house produced content to Phoenix TV on a frequent basis and to certain Chinese TV networks from time to time. By the end of 2018, one of our original variety show Endless Power ( ) has accumulated over 340 million views. Our investment in original content with intellectual property rights has not only inspired our users, but has also generated substantial traffic and financial returns.

We-media Content. We-media content covers various verticals in the form of text, photos, videos, etc., adding an important complementary component to the content we deliver. We have integrated our we-media platform with Yidian s, so that we can share the we-media content with each other. In sum, we obtain content from over 837,000 we-media accounts by December 2018, including content from top public intellectual, commentators, scholars, KOLs, professors, etc.

Content Editing and Production

Content editing and production are critical components of our content production process. We had a team of 389 editors as of December 31, 2018 organized generally by interest-based vertical. We believe that we possess a strong ability to select and distill compelling news stories and frame issues for our users in a distinctive way. Beyond distributing a large amount of news and information in a timely fashion, we provide independent social commentary and analyses. We edit our videos, primarily consisting of news, documentaries and interviews, into short clips. We organize our content by interest-based vertical and segment it further by featured topic. We actively combine text, image, video and live broadcasting content and integrate interactive UGC, aimed at producing an engaging user experience.

Table of Contents

Content Monitoring

We implement monitoring procedures for all of our published content to remove inappropriate or illegal content, including but not limited to we-media and UGC from our discussion forum, comments postings and user survey services. As of December 31, 2018, our content screening team consists of five full-time editors and more than 100 outsourced staff members who are responsible for monitoring and preventing the public release of inappropriate illegal content. Text, images and video content are screened by our content screening team, which reviews the content on a 24-hour, 3-shift basis and employs monitoring procedures, including (i) technology screening, where a text filtering system screens content based on pre-set key words and identifies suspected information; and (ii) manual review, where the content that passes the technology screening is reviewed by the content screening team and the flagged content identified by our technology is reviewed and confirmed before it can be released. For technology screening, the machine recognizes the video and image content and we use an in-house developed identification system in order to comply with PRC regulatory requirements regarding Internet content.

Our Channels

We provide our content and services through three major channels, including our PC channel, our mobile channel, and our operations with the telecom operators. We also transmit our content to TV viewers, primarily through Phoenix TV. Together, these channels form a converged platform providing integrated text, image, video and live broadcasting content, and employing a variety of interactive formats to create a rich, personalized and hands-on experience for our users. We derive advertising revenues through our PC channel and mobile channel. We generate paid services revenues through PC, mobile channel and operations with the telecom operators.

Our PC Channel

Our PC channel consists of our website at ifeng.com, which comprises our interest-based verticals and interactive services. According to iResearch, our number of PC daily unique visitors was 28.4 million, and number of monthly unique visitors was 270.3 million in December 2018. We have ranked third among all Internet portals in China in terms of daily unique visitors in December 2018.

Interest-based Verticals. We currently provide over 40 interest-based verticals, each of which features integrated text, image, video and live broadcasting content and embedded interactive services, such as user surveys and comment postings. Since ifeng.com is one of multiple access points to our converged platforms, our users can also access a significant portion of our interest-based verticals content through our mobile channel and operations with the telecom operators, and can view in-house produced content and UGC created on these verticals on Phoenix TV s regular programs. Our most popular verticals include:

- *News.* Through our news vertical, ifeng News, users have easy access to breaking news coverage from multiple sources and points of view. Our news vertical also features a large amount of in-depth special reports and embedded interactive services. For our special reports, we not only have dedicated teams deliver in-depth analysis and reports, but also integrated user surveys and comment postings into the featured websites.

• *Finance*. Our finance vertical, ifeng Finance, provides up-to-date information about financial news, securities and personal finance. We have formed relationships with individual industry leaders who contribute to our in-depth reports and discussions we feature on our finance vertical. We also obtain independent finance content from Phoenix TV. Our finance vertical also offers stock quotes from the major exchanges, as well as breaking news from individual listed companies.

• *Fashion*. Our fashion vertical provides coverage on fashion, beauty, weight loss, luxury goods, furniture, art and other popular topics, all centered on the theme of refined lifestyle. It offers information on international fashion trends and new fashion concepts. Our fashion vertical covers a variety of luxury topics, including wines, cigars, high-end brand apparel and accessories, as well as services aimed at the high net worth population. It also provides real-time coverage of major world fashion events, bringing users the latest information on styles and trends.

• *Entertainment*. Our entertainment vertical spans greater China and strives to cover entertainment news and developments in China, Hong Kong, Taiwan and globally among the Chinese community. This vertical provides broad coverage of the latest entertainment news, including dining, movies, television programs, plays, operas, as well as popular and classical music. It features our in-house produced video program of candid celebrity interviews.

• *Automobiles*. Our automobiles vertical, ifeng Auto, offers the latest automobile-related news and information to provide car buyers and automobile enthusiasts with the most current information on automotive pricing, reviews and featured guides.

• *Live Broadcasting*. Our live broadcasting vertical, FENG Live ( ), offers live broadcasting news and information to provide real-time professional reports of hit events, conferences and etc.

• *We-media*. Our we-media vertical, Dafenghao, (大 号) offers various we-media content. We have integrated our we-media platform with Yidian s Yidianhao (一 号), and by the end of 2018, we obtained content produced by over 837,000 we-media outlets, public intellectual, commentators, scholars, KOLS, professors, etc., in total.

Table of Contents

- *Military affairs*. Our military affairs vertical provides updated information and commentary on military affairs and defense matters and targets a broad audience, from military professionals to hobbyists.

- *Sports.* Our sports vertical offers multimedia news and information on a wide range of sporting events, and broadcasts both live and recorded domestic and international sports matches.

- *History*. Our history vertical provides content about Chinese and international modern history. We investigate relatively unexplored historical turning points and events and provide in-depth analyses of historical figures and events.

- *Video*. Our v.ifeng.com vertical offers free online video on demand, or VOD. Our free online VOD typically consist of short clips of up to five minutes of news programs, interviews, documentaries and other programs. Our VOD content is easily searchable on our websites and is organized into various verticals of v.ifeng.com for easy browsing, including entertainment, fashion, sports, technology, movies and dramas, and VIP channel. In addition, in an effort to adapt to the rapidly growing popularity of short videos, we started to build our own video content ecosystem and to enhance our artificial intelligence technology on video semantic recognition and other advanced video analysis technologies. As a result of such effort, the number of our UGC providers has increased and the video views of our video contents has grown significantly. In addition, we organize and present video content, supplemented by text, images, user surveys and comment postings on our v.ifeng.com vertical to create a value-added user experience that we believe is richer than that of watching traditional TV.

- *Web-based Game*. We operate third-party developed web-based games on our game platforms, play.ifeng.com. Web-based games are games that can be played directly from the user s Internet browser without downloading additional software. Currently our game platforms only offer web-based games licensed from third parties. Our game portfolio includes role-playing, strategy and casual games. Revenues generated from web-based games are recorded in games and others under paid services revenues. Web-based game industry has been declining, and therefore our web-based game revenue has also been declining, which contributed only approximately 1.0% of our total revenue in 2018.

- *PC Digital Reading*. Our PC digital reading service provides fee-based Internet literatures from writers and digital format books licensed from third-party publishers to customers on our PC platforms. Revenues generated from digital reading are recorded in digital entertainment under paid services revenues.

Interactive Services. Our interactive services aim at turning our PC websites, mobile applications and mobile websites into an active venue for social networking and community interaction. These services allow our users to interact with the content we provide, opening up avenues for lively exchange of information. Our comment posting services are available on both our PC and mobile channels. Also through our converged platforms, we feed a substantial amount of user comments to prime-time programs of Phoenix TV on a daily basis. By furnishing an engaging user experience across PC, mobile and TV channels, we believe that community-based interactive services increase user loyalty and stickiness. We currently offer the following interactive services:

• *User surveys.* Our user surveys allow users to express their opinions on topics featured on our PC and mobile channels, view up-to-date opinion polls of users generally and compare their views with those of our user community at large. We offer opinion surveys on major featured topics on most of ifeng.com and v.ifeng.com. Our survey results also frequently appear on Phoenix TV s programs.

• *Comment posting.* Our comment posting feature allows registered users to post their reactions to and thoughts on our articles and videos and browse the input of other members of the ifeng.com community. Our comment postings also frequently appear on Phoenix TV s programs.

In September 2018, Fread Limited launched its independent domain, Fread.com. We currently have three domains of PC websites, including ifeng.com, Fread.com, and Tadu.com.

Our Mobile Channel

Our mobile channel includes (i) ifeng news application, (ii) ifeng video application, (iii) mobile Internet website i.ifeng.com (mobile websites) and (iv) digital reading applications.

• *ifeng News (formerly named Phoenix News).* We offer a wide range of mobile applications for different mobile devices. Ifeng news application is our flagship mobile product, which provides newsfeeds and other contents in the form of text, image, live broadcasting and video.

• *ifeng Video (formerly named Phoenix Mobile Station).* ifeng video application provides video news, live broadcasting, and Phoenix TV programs content, etc.

• *Mobile websites.* Our i.ifeng.com website is designed and tailored to the preferences of our mobile users on mobile browser and web-based pages. As part of our converged platform, i.ifeng.com allows our users to access quality convergence content while they are on-the-go. Similar to ifeng.com, our i.ifeng.com features an array of interest-based and interactive verticals, as well as a mobile video site for watching free mobile VOD. There are two of fee-based products, including mobile digital reading and mobile games.

- *Digital reading applications, Fanyue Novel (翻阅) and Tadu Apps ( ).* Our digital reading applications provide fee-based Internet literatures from writers and digital format books licensed from third-party publishers to customers on our mobile platform. By offering both Fanyue Novel and Tadu Apps, our users are able to enjoy a full-fledged online reading experience and enable us to lay a solid foundation for building our own closed-loop IP ecosystem. Revenues generated from digital reading are recorded in digital entertainment under paid services revenues. We also generate a small portion of our revenue by offering our digital reading platforms as distribution channels for certain programmatic advertisements.

In addition to our own mobile channel, we have opened public accounts on popular social media in China including WeChat and Weibo to distribute content in certain verticals such as finance, technology, fashion and entertainment.

Our Operations with the Telecom Operators.

As part of our converged platforms, we provide a convenient means for our users to access our quality content through the telecom operators platforms, or MVAS, while they are on-the-go. MVAS consist mainly of the following product lines:

Mobile Newspaper Service. We edit content from our content library to deliver mobile newspapers to mobile users of China Mobile, China Telecom and China Unicom via MMS. Our mobile newspapers provide periodicals in digital form reformatted for convenient viewing on mobile devices. China Mobile s VIP subscribers can receive our mobile newspaper service as part of their subscription and other mobile users can subscribe to this service independently through any one of the three mobile operators.

Mobile Video Service. We offer video content through the mobile video platforms of all three of the telecom operators. Users pay a monthly subscription fee for access to our mobile channel on the telecom operators platforms or pay on a per-clip pay-per-view basis, and we share the fees charged for such services with the telecom operators.

Mobile Games Service delivered through the Telecom Operators Platforms. We currently offer mobile games through China Mobile s, China Unicom s and China Telecom s gaming platforms, which allow users to download our mobile games programs.

WVAS. We also provide wireless value-added services, or WVAS, through telecom operation s payment platforms to our users. We offer the following WVAS: (i) *SMS-based Services*, (ii) *Music Services*, (iii) *IVR-based Services*, (iv) *MMS-based Services*, and (v) *Animation Services*.

Our Sources of Revenues

Advertising Services

We provide advertising services primarily through our ifeng.com, our mobile Internet websites i.ifeng.com and our mobile applications in our mobile channel. Our advertising team consists of direct sales, agency sales, advertising technology and products support, customer support, advertising design and production, resource management, advertising strategy and sales promotion and other functions.

As is typical in China s online advertising industry, we primarily enter into advertising service contracts through third-party advertising agencies. We mainly have three types of pricing models, consisting of the Cost Per Day (CPD) model, the Cost Per Impression (CPM) model, and the Cost Per Click (CPC) model. In 2018, our advertising services are primarily on our mobile, instead of PC channel, and we expect our advertising services on mobile will continue to increase going forward. In addition, together with Phoenix TV, we provide bundled new media and TV advertising solutions to certain of Phoenix TV s advertisers.