

Xunlei Ltd
Form F-1/A
July 01, 2011

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As filed with the Securities and Exchange Commission on July 1, 2011

Registration No. 333-174782

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
To
FORM F-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

XUNLEI LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Cayman Islands
*(State or other jurisdiction of
incorporation or organization)*

7370
*(Primary Standard Industrial
Classification Code Number)*

Not Applicable
*(I.R.S. Employer
Identification Number)*

**7/F, Building 11, Shenzhen Software Park II
Shenzhen High-Tech Park, Shenzhen 518057
People's Republic of China
(86-755) 2603-5888**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

**Law Debenture Corporate Services Inc.
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New York, New York 10017
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Approximate date of commencement of proposed sale to the public: as soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price(2)(3)	Amount of registration fee
Class A common shares, par value US\$0.00025 per share	26,220,000	US\$5.33	US\$139,840,000	US\$16,236(4)

(1)

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

- (2) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(a) under the Securities Act of 1933.
- (3) Includes 3,420,000 Class A common shares that may be purchased by the underwriters pursuant to an over-allotment option. Also includes Class A common shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public. These Class A common shares are not being registered for the purpose of sales outside the United States.
- (4) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated July 1, 2011

Prospectus

7,600,000 American Depositary Shares

Xunlei Limited

Representing 22,800,000 Class A common shares

This is an initial public offering of American Depositary Shares, or ADSs, of Xunlei Limited. We are offering 6,675,000 ADSs, and the selling shareholders are offering 925,000 ADSs. Each ADS represents three Class A common shares, par value US\$0.00025 per share. We will not receive any proceeds from the sale of our ADSs by the selling shareholders. Upon the completion of this offering, we will have a dual-class common share structure; our common shares will be divided into Class A common shares and Class B common shares. Holders of Class A common shares are entitled to one vote per share, while holders of Class B common shares are entitled to ten votes per share. We anticipate the initial public offering price of the ADSs will be between US\$14.00 and US\$16.00 per ADS.

We have applied for listing of our ADSs on the NASDAQ Global Select Market under the symbol "XNET."

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

We have granted the underwriters an option for a period of 30 days to purchase up to an aggregate of 1,140,000 additional ADSs from us at the public offering price less underwriting discounts and commissions to cover over-allotments.

The underwriters expect to deliver the ADSs to purchasers on or about _____, 2011.

Investing in our ADSs involves a high degree of risk. See "Risk factors" beginning on page 15.

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

J.P. Morgan

Deutsche Bank Securities

Cowen and Company

Needham & Company, LLC

Stifel Nicolaus Weisel

, 2011.

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You should rely only on the information contained in this prospectus or in any related free writing prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, the ADSs only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is current only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the ADSs.

We have not taken any action to permit a public offering of the ADSs outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the ADSs and the distribution of the prospectus outside the United States.

Until _____, 2011 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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Prospectus summary

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

Our business

We are a leading consumer internet platform for digital media content in China. We operate a powerful platform based on cloud computing that enables internet users to access and manage digital content. Our platform combines our proprietary digital media indexing technology and a massively distributed computing network that connects 291 million active users in February 2011, according to iResearch, as well as over one million third-party servers and over 3,600 servers owned by us as of March 31, 2011. Under our leading Xunlei brand, we provide digital media download and streaming services. Our mission is to build a one-stop consumer-centric platform to enable faster, more reliable and more efficient transmission and management of digital content across multiple internet-enabled devices.

As broadband penetration increases in China, various types of digital media content have been made available online, including popular software, byte-heavy online games, and high definition movies and TV series which in turn results in increasing demand for internet access. However, access to internet content has become relatively slow and less reliable in China due to the growing internet user base. To address this issue, we launched a series of download and streaming services empowered by our platform.

We first launched our core download acceleration software, Xunlei Downloader, in 2004, which gradually evolved into the central interface for a growing collection of premium download-related services designed to further enhance our users' download experience. The core download acceleration functionality makes Xunlei Downloader the most popular download acceleration application in China, with a 78.7% market share based on the number of software launches among all download software in China in February 2011, according to iResearch. Xunlei Downloader was used in an average of approximately 138 million downloads per day in 2010. These downloads are available to internet users free of charge. To complement our download services and to further broaden our users' access to video content via online streaming, we also launched our online video streaming services in 2007 on our Xunlei Kankan website. Xunlei Kankan is the third largest video streaming portal in China, as measured by the monthly unique visitors from homes and offices in April 2011 according to iResearch. Xunlei Kankan had 120.7 million monthly unique visitors from homes and offices in April 2011.

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Both Xunlei's digital media download and streaming services are based on our resource discovery network, which is designed to utilize our proprietary digital media indexing technology. Our resource discovery network is based on our distributed computing architecture, which is constructed from all Xunlei Downloader clients that are running on and connected to the internet at any given time, along with the universe of server addresses stored in our digital media file index database. Our distributed computing power enhances our user experience and reduces our bandwidth and other infrastructure-related costs when providing services on a massive scale.

We generate revenues from multiple sources, including cloud-based subscription services, online advertising, and other services. Multiple revenue streams provide us with both revenue diversification and multiple growth areas. We implemented our current cloud-based subscription service revenue model in March 2009 and, by the end of March 2011, we had developed over 1.3 million subscribers from the large user base of Xunlei Downloader and Xunlei Kankan. We also generate online advertising revenues derived principally from various forms of advertisements that we place on Xunlei Kankan and Xunlei Downloader.

We have experienced significant growth in recent years. Our revenues increased from US\$16.8 million in 2008 to US\$29.6 million in 2009 and to US\$42.8 million in 2010, representing a compound annual growth rate, or CAGR, of 59.7%, while we had a net loss attributable to Xunlei of US\$4.6 million in 2008 and achieved net income attributable to Xunlei of US\$5.4 million and US\$8.5 million in 2009 and 2010, respectively. Our revenues increased by 98.1% from US\$7.8 million for the three months ended March 31, 2010 to US\$15.4 million for the same period in 2011, and net income attributable to Xunlei increased by 22.1% from US\$1.5 million for the three months ended March 31, 2010 to US\$1.9 million for the same period in 2011. In April 2011, we granted options to purchase 841,784 common shares to our employees. The vesting period of most of these options is four years.

Our industry

The proliferation of internet usage in China in recent years has made China the largest internet market in the world. According to China Internet Network Information Center, or CNNIC, the number of internet users in China had reached 457.0 million as of December 2010. iResearch further forecasts that the number of internet users in China is expected to reach 667.3 million by 2013, representing a CAGR of 13.4% from 2010. In addition, China had a broadband penetration rate of 98.3% among internet users as of December 2010, according to CNNIC. China also has the world's largest mobile internet user base, and the continued rollout of 3G networks and related mobile infrastructure in China is expected to drive the rapid growth of wireless internet-enabled devices such as smart phones and tablet PCs. According to iResearch, the number of mobile internet users in China reached 233 million in 2009 and is expected to reach 562 million by 2012, representing a CAGR of 34.1%.

Chinese internet users download and stream content as much as searching for information. According to the iResearch Report, 74.4% of internet users in China have downloaded digital media content online. In addition, 93.2% of internet users in China regularly stream video or music compared to 77.8% of internet users who search for content. As internet adoption continues to increase in China and throughout the world, online digital media content has proliferated, resulting in enormous amount of digital content flow through the internet. According to Cisco Visual Networking Index Forecast (June 2010), bandwidth demand and

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traffic for transporting digital media content is expected to rise from 307.7 petabytes in 2009 to 1,819.6 petabytes in 2013, representing a CAGR of 55.9%.

Because of the fragmentation of digital media distribution channels in China, internet has become a more effective medium to distribute digital media content, and users have begun to rely on the internet as a convenient and cost-effective medium to quickly access a broad range of digital media content, including both widely available content as well as content generated by smaller publishers or other users.

However, users of digital media content in China continue to experience problems such as latency and other network performance issues. The broadband network infrastructure, which serves as the backbone for the consumption of digital media content, is relatively inefficient in China compared with that in the United States. This is partly a result of China having only three major network operators, with limited interconnectivity between each other. In addition, compared to the internet connection speed in more developed countries, internet connection in China is significantly slower and less reliable in rural areas. As a result, internet users in China constantly seek advanced technologies to efficiently identify and download digital media content in a fast and reliable manner.

Our strengths

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

proprietary technology and highly scalable and cost-efficient distributed computing network;

leading brand for digital media download and streaming services in China;

large and growing user base;

multiple revenue streams including a fast-growing subscription-based business;

broad ecosystem of strategic collaborators, content providers and advertisers; and

technology-centric and innovative culture and experienced management team.

Our strategies

Our goal is to become the leading platform for internet users to access and manage digital media content through internet-enabled devices. We intend to achieve this goal by pursuing the following strategies:

further grow our user base and enhance user engagement;

further grow our subscriber base and expand new services;

maintain and extend our technological leadership;

attract additional advertisers and increase spending per advertiser;

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strengthen relationships with content providers and further enrich our Xunlei Kankan content library; and

pursue strategic acquisitions and alliances.

Our challenges

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

continue developing innovative technologies in response to evolving user demand and maintain our technological leadership;

grow and monetize our user base and expand our subscription services;

maintain and develop relationships with advertisers;

protect third-party intellectual property rights;

attract and retain qualified personnel;

successfully adapt our business model to changes in our industry; and

maintain control over our consolidated affiliated entities, which is based upon contractual arrangements rather than equity ownership.

Our history and structure

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

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

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

In February 2011, we established a direct wholly owned subsidiary, Xunlei Network Technologies Limited, or Xunlei Network BVI, in the British Virgin Islands. In March 2011, we established an indirect wholly owned subsidiary, Xunlei Network Technologies Limited, or Xunlei Network HK, in Hong Kong through Xunlei Network BVI. Both Xunlei Network BVI and

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Xunlei Network HK were established for potential future business and tax planning purposes, but are not yet active in business as of the date of this prospectus.

The following diagram illustrates our corporate structure and principal subsidiaries and consolidated affiliated entities as of the date of this prospectus:

(1) Shenzhen Xunlei is owned by Mr. Sean Shenglong Zou, our co-founder, chairman and chief executive officer, Mr. Hao Cheng, our co-founder and director, Mr. Jianming Shi, Guangzhou Shulian Information Investment Co., Ltd. and Ms. Fang Wang.

(2) The remaining 0.1% of the equity interest is owned by Mr. Sean Shenglong Zou.

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

Corporate information

Our principal executive offices are located at 7/F, Building 11, Shenzhen Software Park II, Shenzhen High-Tech Park, Shenzhen 518057, People's Republic of China. Our telephone number at this address is (86-755) 2603-5888. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Umland House, Grand Cayman, KY1-1104, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc.

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

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Conventions which apply to this prospectus

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

no exercise by the underwriters of their option to purchase up to 1,140,000 additional ADSs representing 3,420,000 Class A common shares from us; and

conversion of all outstanding series A, series A-1, series B and series C preferred shares into 90,638,671 Class A common shares and 8,214,437 Class B common shares immediately upon the completion of this offering.

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

"we," "us," "our company," "our," and "Xunlei" refer to Xunlei Limited, a Cayman Islands company, and its consolidated subsidiaries and consolidated affiliated entities, including our variable interest entity, or VIE, controlled by us, and the VIE's subsidiaries;

"China" or "PRC" refers to the People's Republic of China, excluding, for the purpose of this prospectus only, Taiwan, Hong Kong, and Macau;

"active users" refers to internet users who activated and used a Xunlei product from the same location at least once within a specified period; under this method, a user that used Xunlei products on different machines at home or at an internet cafe would be counted as two active users as he or she accessed the Xunlei product from different locations;

"digital media" refers to videos, music, games, software and documents transmitted in digital form;

"unique visitors" refers to the number of different individual visitors to our Xunlei Kankan website, with each individual user being identified through his or her unique IP address. For the purposes of the calculation, each IP address counts only once no matter how many times the user for that IP address accesses the Xunlei Kankan website. "Unique visitors" for a certain month refers to the number of unique visitors to our Xunlei Kankan website in the relevant calendar month. "Average daily unique visitors" for any given month refers to the number of unique visitors for our website in the relevant month divided by the number of days in that month;

"shares" or "common shares" refers to our Class A and Class B common shares, par value US\$0.00025 per share;

"preferred shares" refers to our series A, series A-1, series B and series C convertible preferred shares, par value US\$0.00025 per share, collectively;

"ADSs" refers to our American depositary shares, each of which represents three Class A common shares, and "ADRs" refers to any American depositary receipts that evidence our ADSs;

all references to "RMB" or "Renminbi" refer to the legal currency of China; and

all references to "US\$," "dollars" or "U.S. dollars" refer to the legal currency of the United States.

We use U.S. dollar as reporting currency in our financial statements and in this prospectus. Transactions in Renminbi are recorded at the rates of exchange prevailing when the transactions occur. On June 24, 2011, the noon buying rate set forth in the H.10 statistical release of the Federal

Reserve Board was RMB6.4737 to US\$1.00.

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The offering

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

Offering price	We currently estimate that the initial public offering price will be between US\$14.00 and US\$16.00 per ADS.
ADSs offered by us	6,675,000 ADSs.
ADSs offered by the selling shareholders	925,000 ADSs.
ADSs outstanding immediately after this offering	7,600,000 ADSs (or 8,740,000 ADSs, if the underwriters exercise in full their over-allotment option to purchase additional ADSs).
Concurrent Private Placement	Concurrently with, and subject to, the completion of this offering, Sohu.com Limited, a non-US entity affiliated with Sohu.com, a leading internet portal in China, has agreed to purchase from us US\$10 million in Class A common shares at a price per share equal to the initial public offering price adjusted to reflect the ADS-to-common share ratio. Assuming an initial offering price of US\$15.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus, this investor will purchase 2,000,000 Class A common shares from us. Our proposed issuance and sale of Class A common shares to this investor are being made through private placement pursuant to an exemption from registration with the U.S. Securities and Exchange Commission under Regulation S of the Securities Act. The investor has agreed with the underwriters not to, directly or indirectly, sell, transfer or dispose of any Class A common shares acquired in the private placement for a period of 180 days after the date of this prospectus, subject to certain exceptions.

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Common shares outstanding immediately after this offering

We will adopt a dual class common share structure immediately upon the completion of this offering. As a result, we will have 182,325,480 common shares (or 185,745,480 common shares if the underwriters exercise their over-allotment option in full) outstanding immediately upon the completion of this offering, comprised of (i) 143,341,456 Class A common shares, par value \$0.00025 per share (or 146,761,456 Class A common shares if the underwriters exercise their over-allotment option in full), including 2,000,000 Class A common shares we will issue in the private placement concurrently with this offering, based on an initial offering price of US\$15.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus, and (ii) 38,984,024 Class B common shares, par value \$0.00025 per share. The 38,984,024 Class B common shares outstanding immediately after the completion of this offering will represent 21.4% of the total outstanding share capital and 73.1% of the then total voting power (assuming the underwriters do not exercise the over-allotment option). Our co-founder and chief executive officer, Mr. Sean Shenglong Zou, will beneficially own 14,846,371 Class A common shares and 29,238,018 Class B common shares after the completion of this offering, which represent 57.6% of the then total voting power (assuming the underwriters do not exercise the over-allotment option).

The ADSs

Each ADS represents three Class A common shares, par value US\$0.00025 per share.

The depositary will hold the Class A common shares underlying your ADSs. You will have rights as provided in the deposit agreement.

If we declare dividends on our Class A common shares, the depositary will pay you the cash dividends and other distributions it receives on our Class A common shares, after deducting its fees and expenses.

You may turn in your ADSs to the depositary in exchange for Class A common shares. The depositary will charge you fees for any exchange.

We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended.

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To better understand the terms of the ADSs, you should carefully read the "Description of American Depositary Shares" section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.

Common shares

We will redesignate our common shares and convert our preferred shares into Class A common shares or Class B common shares, as applicable, immediately upon the completion of this offering. Holders of Class A common shares will be entitled to one vote per share, while holders of Class B common shares will be entitled to ten votes per share on most corporate matters.

We plan to issue Class A common shares represented by our ADSs in this offering.

Immediately upon the completion of this offering, we will have 38,984,024 Class B common shares outstanding, including 29,238,018 Class B common shares, or 75% of the total Class B common shares outstanding after the re-designation which will be beneficially owned by Mr. Sean Shenglong Zou, our co-founder and chief executive officer. At the same time, (1) each of the existing common, series A, series A-1 and series B preferred shareholders other than Vantage Point Global Limited will be entitled to share the remaining number of Class B common shares, or 25% of the Class B common shares outstanding, *pro rata* by converting and re-designating certain shares it holds into Class B common shares; and (2) all other preferred shares and other common shares will be automatically converted into and re-designated as Class A common shares on a 1-for-1 basis. In addition, all options, either granted prior to the completion of this offering or to be granted after this offering, will entitle option holders to the equivalent number of Class A common shares once the options are vested and exercised.

Each Class B common share will be convertible into one Class A common share at any time by the holder. Class A common shares will not be convertible into Class B common shares under any circumstance. Upon any transfer of Class B common shares by a holder to any person or entity which is not an affiliate of such holder, such Class B common shares will automatically and immediately convert into an equivalent number of Class A common shares.

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	<p>If at any time our co-founder and chief executive officer, Mr. Sean Shenglong Zou, and his affiliates collectively own less than 5% of the total number of issued and outstanding common shares of our company at that time, each issued and outstanding Class B common share shall be automatically and immediately converted into one Class A common share.</p>
Over-allotment option	<p>We have granted to the underwriters an option, which is exercisable within 30 days from the date of this prospectus, to purchase up to an additional 1,140,000 ADSs.</p>
Use of proceeds	<p>We plan to use the net proceeds we receive from this offering and the concurrent private placement to establish a customer service center and cloud computing data centers to better serve our subscribers, acquire digital media content and exclusive online game licenses, invest in technology, infrastructure and product development efforts, and for other general corporate purposes, including working capital needs and potential acquisitions (although we are not currently negotiating any such acquisitions). See "Use of proceeds" for additional information.</p> <p>We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.</p>
Lock-up	<p>We, our directors and executive officers, our existing shareholders and holders of most of the options to purchase our common shares have agreed with the underwriters, subject to certain exceptions, not to sell, transfer or dispose of, directly or indirectly, any of our ADSs or common shares or securities convertible into or exercisable or exchangeable for our ADSs or common shares for a period of 180 days following the date of this prospectus. Furthermore, all of our directors, executive officers, existing shareholders and holders of the options to purchase our common shares are restricted by our agreement with the depository from depositing common shares in our ADS facility or having new ADSs issued to them during the same period. See "Underwriting" for more information.</p>
Listing	<p>We have applied to have the ADSs listed on the NASDAQ Global Select Market under the symbol "XNET." Our ADSs and shares will not be listed on any other stock exchange or traded on any automated quotation system.</p>
Payment and settlement	<p>The underwriters expect to deliver the ADSs against payment therefor through the facilities of the Depository Trust Company on _____, 2011.</p>
Depository	<p>Citibank, N.A.</p>

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Reserved ADSs	At our request, the underwriters have reserved for sale, at the initial public offering price, up to 380,000 ADSs offered by this prospectus to our directors, officers, employees, business associates and related persons through a directed share program.
Risk Factors	See "Risk factors" and other information included in this prospectus for a discussion of risks you should carefully consider before investing in our ADSs.
The number of common shares that will be outstanding immediately after this offering:	

assumes conversion of all outstanding preferred shares into 90,638,671 Class A common shares and 8,214,437 Class B common shares;

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

excludes 20,858,916 common shares issuable upon the exercise of options outstanding as of the date of this prospectus, at a weighted average exercise price of US\$0.71 per share; and

excludes 5,963,912 Class A common shares reserved for future issuances under our share incentive plan.

For the options that were granted in April 2011, the option exercise price equals to the final offering price of the Class A common shares in this offering. For the purpose of calculating the weighted average exercise price, we assuming an initial offering price of US\$15.00 per ADS, the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus.

Table of Contents**Summary consolidated financial data**

The following summary consolidated statements of operations data for the years ended December 31, 2008, 2009 and 2010 and the summary balance sheet data as of December 31, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated statements of operations data for the three months ended March 31, 2010 and 2011 and the summary balance sheet data as of March 31, 2011 are derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited interim condensed consolidated financial statements on the same basis as our audited consolidated financial statements and include all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair presentation of our financial position and operating results for the periods presented. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results for any period are not necessarily indicative of results to be expected for any future period. You should read the following summary financial information in conjunction with the consolidated financial statements and related notes and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

(in thousands of US\$, except for share, per share and per ADS data)	For the Year Ended			For the Three Months Ended	
	2008	2009	December 31, 2010(unaudited)	2010 (unaudited)	2011 (unaudited)
Summary consolidated statement of operations data:					
Revenues, net of rebates and discounts	16,774	29,599	42,782	7,755	15,360
Business tax and surcharges	(1,436)	(2,547)	(2,791)	(518)	(1,021)
Net revenues	15,338	27,052	39,991	7,237	14,339
Cost of revenues	(4,065)	(6,578)	(14,309)	(2,244)	(5,538)
Gross profit	11,273	20,474	25,682	4,993	8,801
Operating expenses ⁽¹⁾ :					
Research and development expenses	(3,767)	(4,289)	(5,786)	(1,249)	(2,182)
Sales and marketing expenses	(4,084)	(4,991)	(4,686)	(935)	(2,227)
General and administrative expenses	(6,987)	(6,823)	(8,112)	(1,357)	(2,920)
Total operating expenses	(14,838)	(16,103)	(18,584)	(3,541)	(7,329)
Operating income (loss)	(3,565)	4,371	7,098	1,452	1,472
Interest income	535	114	107	20	31
Other income (loss), net	(1,547)	962	178	(4)	69
Income (loss) before income tax	(4,577)	5,447	7,383	1,468	1,572
Income tax benefit			1,089	69	198
Net income (loss)	(4,577)	5,447	8,472	1,537	1,770
Net (income) loss attributable to the non-controlling interest			(6)	3	110
Net income (loss) attributable to Xunlei Limited	(4,577)	5,447	8,466	1,540	1,880

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(in thousands of US\$, except for share, per share and per ADS data)	For the Three Months Ended March 31,				
	2008	2009	2010 (unaudited)	2010 (unaudited)	2011 (unaudited)
Weighted average number of common shares used in per share calculations:					
Basic	53,037,172	53,037,172	53,037,172	53,037,172	53,037,172
Diluted	53,037,172	69,092,304	72,024,548	70,144,618	75,428,013
Net income (loss) attributable to holders of common shares of Xunlei Limited per common share:					
Basic	(0.10)	0.04	0.06	0.01	0.01
Diluted	(0.10)	0.03	0.04	0.01	0.01
Net income (loss) attributable to holders of common shares of Xunlei Limited per ADS ⁽³⁾ :					
Basic					
Diluted					
Weighted average number of common shares used in pro forma per share calculations:					
Basic			146,162,016		146,162,016
Diluted			165,149,392		168,552,857
Pro forma earnings per common share (unaudited) ^{(2),(4)} :					
Basic			0.06		0.01

Diluted	0.05	0.01
Pro forma earnings per ADS (unaudited) ^{(3),(4)} :		
Basic	0.02	
Diluted	0.02	

Notes:

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

(in thousands of US\$)	For the Year Ended			For the Three Months	
	2008	2009	December 31, 2010 (unaudited)	Ended March 31, 2010 (unaudited)	2011 (unaudited)
Research and development expenses	10.5	12.1	180.7	35.3	49.2
Sales and marketing expenses	3.0	2.9	34.5	4.4	13.7
General and administrative expenses	343.2	219.1	118.3	20.0	195.7
Total share-based compensation expenses	356.7	234.1	333.5	59.7	258.6

(2) The unaudited pro-forma earnings per share give effect to (1) the planned re-designation of 22,267,585 common shares into the equivalent number of Class A common shares, (2) the planned automatic conversion and re-designation of 84,910,407 series A, series A-1 and series B preferred shares into the equivalent number of Class A common shares, (3) the planned re-designation of 30,769,587 common shares into the equivalent number of Class B common shares, (4) the planned automatic conversion and re-designation of 8,214,437 series A, series A-1 and series B preferred shares into the equivalent number of Class B common shares.

(3) Each ADS represents three Class A common shares.

(4) In April 2011, we issued 8,410,200 common shares pursuant to the exercise of vested options by our co-founders and we also issued 5,728,264 series C preferred shares, which will automatically be converted into Class A common shares upon closing of this offering. After giving effect to the exercise of vested options and automatic conversion of series C preferred shares into Class A common shares, our pro forma basic and diluted earnings per common share for the three months ended March 31, 2011 would have been US\$0.01 and US\$0.01, respectively, and our pro forma basic and diluted earnings per ADS for the three months ended March 31, 2011 would have been US\$0.004 and US\$0.003, respectively.

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(in thousands of US\$)	As of December 31,			As at March 31, 2011		
	2008 Actual	2009 Actual	2010 Actual	2011 Actual (unaudited)	2011 Pro forma ⁽¹⁾ (unaudited)	Pro forma as adjusted ⁽²⁾ (unaudited)
Summary consolidated balance sheet data:						
Cash and cash equivalents	16,078	18,947	21,353	20,559	20,559	148,713
Total current assets	26,264	32,118	45,248	50,422	50,422	178,576
Total assets	32,921	38,619	58,830	65,347	65,347	193,501
Total current liabilities	10,811	10,860	17,446	21,545	21,545	21,545
Total liabilities	10,811	10,896	21,326	25,526	25,526	25,526
Convertible non-redeemable preferred shares:						
Series B	8	8	8	8		
Series A-1	9	9	9	9		
Series A	7	7	7	7		
Common shares	13	13	13	13		
Class A common shares						
					27	36
Class B common shares						
					10	10
Total Xunlei Limited's shareholders' equity						
	22,110	27,723	37,046	39,468	39,468	167,622
Non-controlling interest						
			458	353	353	353

Note:

(1) The unaudited consolidated balance sheet data as of March 31, 2011 are adjusted on a pro forma basis to reflect (1) the planned re-designation of 22,267,585 common shares into the equivalent number of Class A common shares, (2) the planned automatic conversion and re-designation of 84,910,407 series A, series A-1 and series B preferred shares into the equivalent number of Class A common shares, (3) the planned re-designation of 30,769,587 common shares into the equivalent number of Class B common shares, and (4) the planned automatic conversion and re-designation of 8,214,437 series A, series A-1 and series B preferred shares into the equivalent number of Class B common shares.

(2) The unaudited consolidated balance data as of March 31, 2011 are adjusted on a pro forma as adjusted basis to reflect (1) the planned re-designation of 22,267,585 common shares into the equivalent number of Class A common shares, (2) the issuance of 8,410,200 common shares upon our co-founders' exercise of vested options in April 2011, which will be re-designated as the equivalent number of Class A common shares upon the completion of this offering, (3) the planned automatic conversion and re-designation of 84,910,407 series A, series A-1 and series B preferred shares into the equivalent number of Class A common shares, (4) the planned re-designation of 30,769,587 common shares into the equivalent number of Class B common shares, (5) the planned automatic conversion and re-designation

of 8,214,437 series A, series A-1 and series B preferred shares into the equivalent number of Class B common shares and (6) the issuance of 5,728,264 series C preferred shares in April 2011, which will be automatically converted into and re-designated as the equivalent number of Class A common shares upon the completion of this offering, (7) the issuance and sale in the concurrent private placement of 2,000,000 Class A common shares, calculated based on the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus, with net proceeds to us of US\$9.7 million after deducting expenses incurred by us in connection with this investment, and (8) the issuance and sale of Class A common shares in the form of ADSs by us in this offering at an assumed initial public offering price of US\$15.00 per ADS, the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

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Risk factors

An investment in our ADSs involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our ADSs. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our ADSs could decline, and you may lose all or part of your investment.

Risks related to our business

We face risks and uncertainties associated with operating in a rapidly developing and evolving industry. The limited operating history of our current subscription-based, multiple-source revenue model makes it difficult to evaluate our business and prospects.

We commenced operations in China in January 2003. We launched our digital media download services in 2004, our digital media streaming services in 2007, our online games offerings in 2008 and our cloud-based subscription services in 2009, and have experienced rapid growth in these businesses since then. We expect our growth trend to continue as we expand our user and advertiser bases and explore new market opportunities. However, due to the limited operating history of our current subscription-based, multiple-source revenue model, our historical growth rate may not be indicative of our future performance, especially given our planned expansion into relatively new business models such as conversion of users into subscribers and other paying users. We cannot assure you that we will grow at the same rate as we did in the past.

Today, as a fast-growing company in the new and rapidly evolving internet industry, we face numerous risks and uncertainties. Some of these risks and uncertainties relate to our ability to:

continue to offer innovative technologies in response to evolving user demand and maintain our technology leadership;

continue to grow and monetize our user base and expand our subscription services;

continue to attract advertisers;

protect third-party intellectual property rights;

attract and retain qualified personnel; and

successfully adapt our business model to changes in our industry.

You should consider our business and prospects in light of the risks and uncertainties we face as a fast-growing company operating in a rapidly evolving market. We may not be successful in addressing the risks and uncertainties listed above, which may materially and adversely affect our business and prospects.

Our resource discovery network and other services may become less attractive as the internet infrastructure in China continues to develop and user demands change. If we fail to keep up with the technological developments and users' changing demands, our business, financial condition and results of operations may be materially and adversely affected.

The internet industry is rapidly evolving and subject to continuous technological changes. As the internet infrastructure continues to develop, the internet may become more easily accessible through alternative technological innovations in the future, which would make our

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existing resource discovery network and other services less attractive to our users. For example, an increasing number of users access the internet via devices other than PCs, including mobile phones and other hand-held devices, which requires us to upgrade our software and website to make our services easily accessible by users of mobile devices. User demands for internet content may also shift over time. Currently, internet users appear to have significant demand for multimedia downloads, online streaming and online games services, and we expect such demand to continue. However, we cannot assure you that the behavior of internet users will not change in the future. In the online video sector, users may begin to demand types of content that are different from what we currently have available or become dissatisfied with the quality of our content on Xunlei Kankan. If we do not upgrade our services in response to such changes in an effective and timely manner, the number of our users and advertisers may decrease. Furthermore, changes in technologies and user demands may require substantial capital expenditures in product development and infrastructure. We are currently developing products and services to allow easier and faster access to our network and website for users of internet-enabled mobile devices, which requires significant resources from us. If we fail to expand into the mobile internet market successfully, our business, results of operations and prospects may be materially and adversely affected. Our operating results may also suffer if our innovations do not respond to the needs of our users, are not appropriately timed with market opportunities or are not quickly and effectively brought to market. Failure to keep up with technological developments may cause our services to become less attractive, which in turn may materially and adversely affect our business, results of operations and prospects.

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

We enjoy a large user base. Xunlei Downloader was used in an average of 138 million downloads per day in 2010. Xunlei Kankan had 120.7 million monthly unique visitors from homes and offices in April 2011. However, there is no assurance that we will be able to attract new users at a similar rate in the future. In addition, once the user traffic to our Xunlei Kankan website grew to a certain level, we tried to maintain the number of monthly unique visitors to Xunlei Kankan at a relatively manageable and stable level in order to achieve the optimal cost efficiency and may continue to do so in the future.

In March 2009, we began to offer premium services to our subscribers, which we expect to represent an increasingly significant source of our revenues in the future. As of March 31, 2011, we had over 1.3 million subscribers. However, we cannot assure you that we will be able to maintain and increase the number of our subscribers. Our paying users and subscribers may stop their subscriptions or other spending on our products or services because we no longer serve their needs or because their demands can be better fulfilled by other platforms, which would adversely impact our business, results of operations and prospects.

We aim to convert users into paying users, which include subscribers and users who purchase our other paid services, and retain paying users and convert them into long-term subscribers. However, our efforts to provide greater incentives for our users to subscribe, including marketing activities to highlight the value of differentiated subscriber-only services, such as cloud download and high speed express download, may not succeed. If we are unable to continue to attract new users, retain them as active users and convert non-paying users into subscribers and paying users in the future, our business, results of operations and financial position would be materially and adversely affected.

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We generate a majority of our revenues from online advertising. We may not be able to retain existing advertisers or attract new advertisers.

We generate a majority of our revenues from online advertising. We provide advertisers with different forms of advertisements, including banner and video advertisements. Our large user base and relatively long user time spent on our website provide advertisers with a broad reach and optimal monetization results. We offer advertising services substantially through contracts entered into with third-party advertising agencies. We cannot assure you that we can continue to retain our advertising agencies or advertisers or attract new advertising agencies and advertisers. In addition, if any advertising agencies or advertisers determine that their expenditures on our downloader or on our online video website do not generate expected returns, they may allocate a portion or all of their advertising budgets to others and reduce or discontinue business with us. Since our arrangements with third-party advertising agencies are typically one-year framework agreements, such advertising arrangements may be easily amended or terminated without incurring liabilities. Failure to retain existing advertising agencies and advertisers or attract new advertising agencies and advertisers may materially and adversely affect our business, financial condition and results of operations.

Historically, a majority of our advertisers were e-commerce companies and online game operators. The online game and e-commerce industries in China are rapidly evolving. The growth of these industries and their demand for online advertising services is uncertain and may be affected by factors out of our control. We have begun to focus more on developing brand advertising by other industries in an effort to expand and diversify our advertiser base, and we plan to continue to expand brand advertising in the future. However, we cannot assure you that we will be able to retain existing advertising agencies and advertisers or attract more advertising agencies and advertisers for brand advertising, and if we fail to do so, our business, results of operations and prospects may be materially and adversely affected.

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

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

development of a larger user base with demographic characteristics attractive to advertisers;

our ability to keep up with technological innovation and improvements in the measurement of user traffic and online advertising;

acceptance of online advertising as an effective marketing channel;

changes in government regulations or policies affecting the online advertising industry; and

increased internet usage in China.

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We face and may continue to face copyright infringement claims and other related claims that could be time-consuming and costly to defend and may divert our management's attention and financial resources and adversely impact our business.

Internet, technology and media companies are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties' rights. As of March 31, 2011, our servers maintain and update an index of over 3.7 billion digital media files available on third-party servers and PCs connected to our resource discovery network, which enables users to locate and download content in an efficient manner. See "Business Technology Resource discovery network architecture." We have been involved in litigation based on allegations from content owners that we have infringed their copyright interests in such content. A law firm in the U.S. who claimed to represent the Motion Picture Association of America, or the MPAA, has recently notified us by phone that certain members of the MPAA may make claims of copyright infringement against us, and requested us to enter into a content protection agreement with these members. Following the initial discussion described above, we have not received any written claims from the law firm, the MPAA or any of its members. We intend to engage in discussions with the MPAA to understand their request. However, we may not be able to reach a content protection agreement with the MPAA on mutually satisfactory terms and the MPAA or its members may initiate a lawsuit or other proceedings against us, whether or not we enter into a content protection agreement with any of them. Claims alleging copyright infringement or other claims arising from the content accessible through our resource discovery network, with or without merit, may lead to diversion of our management's attention and financial resources and negative publicity affecting our brand and reputation, and therefore adversely affect our results of operations and business prospects.

We were subject to a total of 108 lawsuits, 126 lawsuits and 10 lawsuits in China for alleged copyright infringement in 2009, 2010, and the three months ended March 31, 2011, respectively. Approximately 87.7% of these lawsuits were rejected by relevant PRC courts, withdrawn by the plaintiffs or settled as of March 31, 2011. We have only lost one lawsuit where we were ordered to pay monetary damage in the amount of RMB0.1 million together with another defendant. As of March 31, 2011, we accrued approximately US\$0.2 million in litigation expenses related to cases filed before then, which included amounts owed pursuant to out-of-court settlements. We currently have 32 copyright infringement lawsuits pending against us with an aggregate amount of claimed damages of approximately RMB21.8 million (US\$3.4 million) and the majority of such amount relates to claims against the Gougou website.

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

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The premium download related and other value-added services we started to provide to our subscribers since 2009 may expose us to new copyright infringement claims, which could materially and adversely affect the development of our subscription-based revenue model.

We provide subscribers limited space to store personal content on our servers. Subscribers may also request our cloud servers to download a file on their behalf and upload it to their properties. See "Business Our subscribers and paid services Subscription services." We may be liable for storing or downloading content on behalf of our subscribers if such content infringes third-party intellectual property rights. For example, if a court determines that we have an obligation to filter and remove copyrighted content that is stored or downloaded using our cloud servers, we could be ordered to pay damages or implement costly content screening procedures. Although we have not been subject to claims specifically alleging that our cloud storage and cloud downloading services infringe third-party copyrights, we cannot assure you that such lawsuits will not arise in the future.

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

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

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

Assisted by a team of 15 employees in our legal and intellectual property department, we have implemented internal procedures to meet the requirements under relevant PRC laws and regulations to monitor and review the content we license before it is released on our Xunlei Kankan website and remove any infringing content promptly after we receive notice of infringement from the legitimate rights holder. See also "Business Technology Content monitoring and copyright protection" for more details. However, due to the significant amount of content available on our Xunlei Kankan, or accessible through our resource discovery network, we do not generally seek to identify infringing content absent receiving any notice of infringement. Moreover, some rights owners may not send us a notice before bringing a lawsuit against us. Thus, our inability to identify unauthorized content hosted on our website or servers, or accessible through our network has subjected us to, and may continue to subject

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us to, claims of infringement of third-party intellectual property rights or other rights. In addition, we may be subject to administrative actions brought by the National Copyright Administration of the PRC or its local branches for alleged copyright infringement.

The validity, enforceability and scope of protection of intellectual property in internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes more common in China in resolving commercial disputes, we face a higher risk of intellectual property infringement claims. Intellectual property litigation may be expensive and time-consuming and could divert management attention and resources. If there is a successful claim of infringement, we may be required to discontinue the infringing activities, pay substantial fines and damages and/or seek royalty or license agreements that may not be available on commercially acceptable terms, if at all. Our failure to obtain the required licenses on a timely basis could harm our business. Any intellectual property litigation and/or any negative publicity by third parties alleging our intellectual property infringement could have a material adverse effect on our business, reputation, financial condition or results of operations. To address the risks relating to intellectual property infringement, we may have to substantially modify, limit or, in extreme cases, terminate some of our services. Any of such changes could materially affect our users' experience and in turn have a material adverse impact on our business.

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

Although we have not been subject to claims or lawsuits outside China, we cannot assure you that we will not become subject to copyright laws in other jurisdictions, such as the United States, by virtue of our listing in the United States, the ability of users to access our services in the United States and other jurisdictions, the ownership of our ADSs by investors, the extraterritorial application of foreign law by foreign courts or for other reasons. We have attracted and may continue to attract attention from intellectual property owners outside of China, despite our efforts to control access to our products and services by users outside China. For example, the Recording Industry Association of America filed a letter with the Office of the United States Trade Representative in November 2010 accusing certain of our divested or discontinued products of facilitating intellectual property infringement. In addition, as a publicly listed company, we may be exposed to increased risk of litigation. If we are ever held to be subject to United States copyright law, that could increase our risk of direct or indirect copyright liability for our resource discovery and cloud storage services. If a claim of infringement brought against us in the United States or other jurisdictions is successful, we may be required to (i) pay substantial statutory or other damages and fines, (ii) remove relevant content from our website, (iii) discontinue products or services and/or (iv) seek royalty or license agreements that may not be available on commercially reasonable terms or at all.

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

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

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

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

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

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

Our business is subject to governmental supervision and regulations by the relevant PRC governmental authorities including the State Council, the Ministry of Industry and Information Technology, or the MIIT, State Administration of Radio, Film and Television, or the SARFT, Ministry of Culture, or the MOC, General Administration of Press and Publication, or the GAPP and other relevant government authorities. Together these government authorities promulgate and enforce regulations that cover many aspects of operation of telecommunications and internet information services, including entry into the telecommunications industry, the scope of permissible business activities, licenses and permits for various business activities and foreign investment.

Various licenses and permits are required for the display of video content on our website, including the license for online transmission of audio-visual programs and approval from SARFT for introducing and broadcasting foreign television programs into China. See "Regulation Regulation on online transmission of audio-visual programs" and "Regulation Regulation on foreign television programs." We source digital media content from various content providers, including China-based television and movie production studios, online video sites, media companies and online game companies. In dealing with content providers, we take a series of measures to monitor and protect copyright of such contents. For details of such content monitoring and copyright protection measures, see "Business Intellectual property Content

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monitoring and copyright protection." However, we cannot guarantee that the content providers have the legal right to license us the content or are in full compliance with all the relevant PRC permits and licenses set forth by SARFT, and the remedies provided by these content providers, if any, may not be sufficient to compensate us for potential regulatory sanctions imposed by SARFT due to violations of the approval and permit requirements. Nor can we ensure that any such sanctions will not adversely affect either the general availability of video content on our website or our reputation. In addition, such risks may persist due to ambiguities and uncertainties relating to the implementation and enforcement of the applicable regulations. We also source some audio-visual programs directly from foreign content providers. However, we have not obtained any approval from SARFT for introducing and broadcasting such foreign audio-visual programs. In practice, it is not uncommon for internet content providers in China to introduce and broadcast foreign audio-visual programs without such approvals. Based on our oral enquiries with local SARFT, we were orally informed that such noncompliance will not be punished as long as the content of foreign audio-visual programs does not violate the PRC laws and regulations. If SARFT or its local branch requires us to obtain its approval for our introduction and online showing of overseas audio-visual programs, we may not be able to obtain such approval in a timely manner or at all. In such case, the PRC government would have the power to, among other things, levy fines against us, confiscate our income, order us to cease certain content service, or require us to temporarily or permanently discontinue the affected portion of our business.

Pursuant to the relevant PRC regulations promulgated by the State Council Information Office, or the SCIO, internet news information service entities engaging in news publishing services, current political news bulletin board services or dissemination of current political news to the public via internet are required to obtain an internet news license from the SCIO. See "Regulation Regulation on internet news dissemination." Because the audio/video content we currently provide mainly relates to entertainment or financial subjects, we do not believe the above license requirements apply to us. However, if the SCIO or its local branches take a view that is contrary to ours, or if we fail to remove the current political news related audio/video content in a timely manner due to the large volume of audio/video content we provide, we may be ordered by the SCIO or the SCIO branches at the provincial level to cease any internet news services, and in severe cases, as determined by the SCIO or the local SCIO branches in writing, the MIIT may order us to cease all the internet information services or require the internet service provider to disconnect us from the internet.

In August 2010, we issued a software program named Mobile Xunlei that may be installed on certain mobile phones. Mobile Xunlei allows users to search on the internet and download and play certain movies and music from third-party servers or PCs. In addition, we are currently selling internet modules to a television producer in China that is developing internet TVs through which users may search on the internet and download movies. However, the list of terminals covered by our license for online transmission of audio-visual programs does not include mobile devices and TVs. Given that we only develop software and technology, and do not provide any audio/visual content to users of Mobile Xunlei and internet TV, we do not believe that additional approval is required from SARFT. However, there are uncertainties regarding the interpretation and application of the relevant PRC laws, rules and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view contrary to ours. For example, on January 18, 2010, Shenzhen SARFT imposed an administrative sanction on Shenzhen Xunlei for providing digital TV services, although we argued that we

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only provided the software service in accordance with the cooperation contract. There can be no assurance that we will not be subject to administrative proceedings in the future, similar or otherwise. If relevant PRC regulatory authorities determine that additional approvals are required for Mobile Xunlei and our internet modules service, we may be given a warning, ordered to rectify our violations and/or fined up to RMB30,000. In severe cases, our license for online transmission of audio-visual programs may be revoked.

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

If we are unable to collect accounts receivable in a timely manner or at all, or fail to diversify payment handling channels to minimize the associated payment handling fees, our financial condition, results of operations and prospects may be materially and adversely affected.

We typically enter into advertising agreements with third-party advertising agencies that represent the advertisers, and under these agreements, the advertising fees are paid to us by the advertising agencies after we deliver our services. In consideration for the third-party advertising agencies' services, we pay them rebates based on the value of business they bring to us. Thus, the financial soundness of our advertisers and advertising agencies with whom we sign these advertising contracts may affect our collection of accounts receivable. In addition, as of December 31, 2009 and 2010 and March 31, 2011, two, two and one advertising agencies each accounted for more than 10% our total accounts receivable, respectively. We make a credit assessment of our advertisers and advertising agencies to evaluate the collectibility of the advertising service fees before entering into any advertising contract. However, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each advertising agency or advertiser, as applicable, and any inability of advertisers or advertising agencies, especially those that accounted for a significant percentage of our amounts receivables in the past, to pay us in a timely manner may adversely affect our liquidity and cash flows. In addition, the online advertising market in China is dominated by a small number of large advertising agencies. If the large advertising agencies that we have business relationships with demand higher rebates for their agency services, our results of operations will be materially and adversely affected.

Users can make payments for our cloud-based subscription services, online games and other services through third-party online, fixed phone line and mobile phone payment channels. These third-party payment channels typically charge a handling fee for their services. Our subscribers generally have preferred to make subscription payments through mobile phones. However, as the third-party mobile payment channel generally charges higher handling fees than other channels, we recently modified our subscription fee structure to encourage our subscribers to use other available payment channels. If we fail to diversify the payment channels and minimize the associated payment handling fees, our business, prospects and results of operations may be adversely affected.

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We may undertake acquisitions, investments, joint ventures or other strategic alliances, which may not be successful, which could materially and adversely affect our ability to manage our business.

Our strategy includes plans to grow both organically and through acquisitions, joint ventures or other strategic alliances, which may expose us to new operational, regulatory and market risks, as well as risks associated with additional capital requirements. We may not be able to identify suitable future acquisition candidates or alliance partners. Even if we identify suitable candidates or partners, we may be unable to complete an acquisition or alliance on terms commercially acceptable to us. If we fail to identify appropriate candidates or partners, or complete desired acquisitions or strategic alliances, we may not be able to implement our strategies effectively or efficiently.

In addition, our ability to successfully integrate acquired companies and their operations may be adversely affected by a number of factors. If we fail to integrate acquired companies efficiently, our earnings, revenues growth and business could be negatively affected. Furthermore, the acquired companies may contain unforeseen or hidden liabilities, or may not perform to our expectations for various reasons, including legislative or regulatory changes that affect the products in which the acquired companies specialize, and the loss of key personnel and users. If we are not able to realize the benefits envisioned for such acquisitions, joint ventures or other strategic alliances, our overall profitability and growth plans may be adversely affected.

Our planned expansions into relatively new business models would require more capital investment into infrastructure, bandwidth and other resources for premium services, among other things. However, we may not be able to generate sufficient returns and offset these additional capital investment, or to obtain sufficient capital to meet the additional capital requirements of these changes to our business.

In order to implement our development strategies to expand our infrastructure and services across internet-enabled devices, and to further expand and diversify our revenue sources, we may need additional capital in addition to those required for our resource discovery network, online video business and various online games. We plan to expand into new business areas which require significantly more capital investment from us in the future. Our plan to attract more users and convert such users into paying users or subscribers, for instance, would require more capital investments in terms of acquiring additional bandwidth to support our cloud-based subscription services and storage services, more purchased content for our online video library, more research and development efforts into investigating user needs and more frequent updates to subscriber-only services. In addition, our plan to purchase more exclusive online games requires large amount of capital expenditures. Thus, we will continue to incur substantial capital expenditures on an ongoing basis, and it may become difficult for us to meet such capital requirements.

To date, we have financed our operations primarily through private placements of preferred shares to investors and cash flow from operations. We believe that our cash balances and the anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the next 12 months. However, if we fail to attract a sufficient number of new users and convert such users into paying users or subscribers, we may not be able to generate sufficient revenue to cover our investment in various expansion efforts, and our business may be materially and adversely affected.

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

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

general market conditions for financing activities by companies in our industry; and

macroeconomic, political and other conditions in China and elsewhere.

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

Our costs and expenses, such as bandwidth costs, content costs and research and development expenses, may increase and our results of operations may be adversely affected if we cannot pass on the increased costs to our subscribers, paying users or advertisers.

The operation of our extensive resource discovery network and our online video and online game business require significant upfront capital expenditures as well as continuous, substantial investment in content, technology and infrastructure. Since inception, we have invested substantially in research and development to maintain our technology leadership, in equipment to increase our network capacity and in expanding the content library for our online video business. In 2011 and beyond, we expect increases in our costs and expenses for the purchase of additional bandwidth, servers and other equipment as well as for research and development and license fees for professionally produced content on our online video website. Most of our capital expenditures, such as expenditures on servers and other equipment and license fees for professionally produced content, are based upon our estimation of potential future demand and we are generally required to pay the entire purchase price and license fees up front. As a result, our cash flow may be negatively affected in the periods in which such payments are made. We may not be able to quickly generate sufficient revenue from such expenditures, which may negatively affect our results of operations within certain periods thereafter; and if we over-estimate future demand for our services, we may not be able to achieve expected rates of return on our capital expenditures, or at all.

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

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commensurate with any future declines in the prices we charge our users and advertisers, we may fail to achieve profitability.

We depend on a limited number of third-party advertising agencies for a significant portion of our revenues. Failure to maintain relationships with these advertising agencies may cause significant fluctuations or declines in our revenues.

We depend on a limited number of advertising agencies for a significant portion of our revenues. Our top five advertising agencies accounted for approximately 36.4%, 30.0% and 25.0% of our revenues in 2009 and 2010 and the three months ended March 31, 2011, respectively. Our largest advertising agency accounted for 14.4%, 8.9% and 7.4% of our total revenues in 2009 and 2010 and the three months ended March 31, 2011, respectively. We generally do not maintain long-term contracts with advertising agencies. In addition, sales to these advertising agencies are typically made through non-exclusive arrangements, and competition for these customers is intense. We anticipate that our dependence on a limited number of advertising agencies will continue in the foreseeable future. Consequently, our failure to maintain relationships with these advertising agencies could materially and adversely affect our business, financial condition, results of operations and prospects.

We have limited experience in the online games market and may not be able to successfully address the challenges we face in that market or successfully implement our current plan to expand further into the online games market by acquiring exclusive rights to operate and sub-license games.

We entered the online games market in 2008. In 2008 and 2009, we mainly entered into non-exclusive agreements with existing smaller online game developers to operate their games on our websites. However, starting in 2010, we started to enter into exclusive operating agreements with online game developers so that we can gain exclusive rights to certain online games and, in addition to offering these games on our own website, also have the option of sub-licensing these games to other websites to diversify our game revenue stream. Exclusive arrangements of this type require more initial capital investment in acquiring operating rights for these games, and involve more business risks, such as risks associated with the potential failure to find appropriate sub-licensees for the games or failure to engage a sufficient number of game players to make these games profitable for us. If we are unable to generate sufficient revenues in these markets to obtain sufficient return for our investments, our future results of operations and financial condition could be materially and adversely affected.

In addition, to operate online games in China, a variety of permits and approvals are required. For example, publication of online games and other internet publishing activities are subject to the regulation of the GAPP, which requires operators of online games and other internet publishing services to obtain an internet publication license prior to providing any such services. See "Regulation Regulation on internet publication". We are in the process of applying for such license from GAPP. However, there is no assurance that we will be granted such license. Applicable regulations also specify that all online games must be screened and approved in advance by GAPP before they are allowed to be launched online. See "Regulation Regulation on online games." We license from online game developers and operate multiple-player online games, and we share profits with these developers; such third parties are in charge of obtaining GAPP's approval. We cannot assure you that we will obtain GAPP's approval for all of the online games and other internet publishing services we operate in a timely manner or at all. If we engage in internet publishing activities, including online

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games services, without proper approval, GAPP or its local counterparts may order us to suspend these activities, confiscate the main equipment used to engage in these publishing activities as well as the income generated by these activities, and impose fines on us. Furthermore, new laws and regulations may be adopted from time to time to require additional licenses and permits other than those we currently have and are applying for, and to address new issues that arise. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to the operation of online games. We cannot assure you that we will be able to timely obtain requisite licenses or any other new license required in the future, or at all, nor can we assure you that we will not be found in violation of any current or future PRC laws and regulations.

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

We face significant competition in different areas of our business. Our primary competitors for download services are e-Mule, FlashGet and Tencent (QQ Cyclone), a leading provider of internet services and mobile value-added services with the largest instant messenger community in China. Our Xunlei Kankan website competes with other major online video companies such as Youku.com and Tudou.com. We also face competition for advertising budgets of our advertisers from other internet companies and other forms of media.

Some of our competitors have a longer operating history and significantly greater financial resources than we do, and in turn may be able to attract and retain more users and advertisers. Our competitors may compete with us in a variety of ways, including by conducting brand promotions and other marketing activities and making acquisitions. If any of our competitors achieves greater market acceptance than we do or are able to offer more attractive content with greater viewing effect, our user traffic and the number of our advertisers may decrease, which may have a material and adverse effect on our business, financial condition and results of operations.

We incurred net losses in 2008 and may incur losses in the future.

We incurred a net loss attributable to Xunlei of US\$4.6 million in 2008, and may incur losses in the future. We expect our costs and expenses to increase as we expand our operations, primarily including costs and expenses associated with bandwidth, research and development, acquiring and licensing online video content and sales and marketing activities. Although we recorded net profit in 2009 and 2010, our ability to achieve and maintain profitability and positive operating cash flow depends on, among other factors, the growth of the internet industry and the online advertising market, the continued acceptance of our resource discovery platform and online video content by our users, the continued growth and maintenance of our user base, especially our paid subscriber base, our ability to control our costs and expenses and our ability to provide new advertising services to meet the demands of our advertisers. We may not be able to achieve or sustain profitability and/or positive operating cash flow, and if we achieve positive operating cash flow, it may not be enough to satisfy our anticipated capital expenditures and other cash needs.

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

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

We have developed our reputation and established a leading position by providing our users with a superior downloading and video viewing experience. As a company with a limited operating history, we have conducted, and may continue to conduct, various marketing and brand promotion activities. We cannot assure you, however, that these activities will be successful and achieve the brand promotion effects we expect. In addition, any negative publicity in relation to our services or our marketing or promotion practices, regardless of its veracity, could harm our brand image and, in turn, result in a reduced number of users and advertisers. For example, the PRC Ministry of Culture published a notice in April 2011 naming over 20 internet companies, including us, that are alleged to employ inappropriate marketing and promotion methods in the sales of online games, but did not specify the inappropriate methods. The Ministry of Culture also urged the relevant local authorities to take actions to correct such unspecified inappropriate practices. We immediately conducted internal investigations and concluded that the inappropriate method that the Ministry of Culture referred to in the notice may have been the use of a curvy female cartoon figure on the promotional webpage for one of our online games and related promotional texts that could invite erotic imaginations about the content of the game. After the internal investigation, we updated the relevant promotional webpage for the game with a revised version that is free of possible erotic interpretations. However, even though we corrected the inappropriate practice, the negative publicity may have adversely affected our brand, public image and reputation. If we fail to maintain and enhance our brand, or if we incur excessive expenses in this effort, our business, financial condition and results of operations may be materially and adversely affected.

Our operations rely on our networks and servers, which can suffer failures and business interruptions. Unexpected network interruption caused by system failures or computer viruses, for example, or any malfunction, capacity constraint or operation interruption for any extended period may have a material adverse impact on our business.

The satisfactory performance, stability, security and availability of our website and our network infrastructure are critical to our reputation and our ability to attract and retain users and advertisers. Our network provides a database of information regarding digital media file index, advertising records, premium licensed content and various other facets of the business to assist management and help ensure effective communication among various departments and offices of our company. A key element of our business is to generate a high volume of user traffic on our resource discovery network and Xunlei Kankan website. Accordingly, any failure to maintain the satisfactory performance, stability, security and availability of our network, website or technology platform may cause significant harm to our reputation and our ability to attract and maintain internet users, which may affect our users' interest in paying for our services and our advertisers' interest in advertising their products and services on our website.

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From time to time, our users in certain locations may not be able to gain access to our network or our website for a period of time lasting from several minutes to several hours, due to server interruptions, power shutdowns, internet connection problems or other reasons. Although we have not experienced an extended period of such server interruptions, power shutdowns or internet connection problems across our entire network, we cannot assure you that such instances will not occur in the future. Any server interruptions, break-downs or system failures, including failures which may be attributable to events within or outside our control that could result in a sustained shutdown of all or a material portion of our network or website, could reduce the attractiveness of our service offerings. In addition, any substantial increase in the volume of traffic on our network or website will require us to increase our investment in bandwidth, expand and further upgrade our technology platform. Our network systems are also vulnerable to damage from computer viruses, fires, floods, earthquakes, power losses, telecommunication failures, computer hacking and similar events. We do not maintain insurance policies covering losses relating to our network systems. As a result, any capacity constraints or operation interruptions for an extended period may have a materially adverse impact on our revenues and results of operations.

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

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

Advertisements we display as well as our shift of focus in our advertiser base may subject us to penalties and other administrative actions.

Under PRC advertising laws and regulations, advertisement channels such as us are obligated to monitor the advertising content they display to ensure that such content is true, accurate and in full compliance with applicable laws and regulations. PRC advertising laws and regulations set forth certain content requirements for advertisements in the PRC including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. In providing advertising services, we are required to review the supporting documents provided to us by advertising agencies or advertisers for the relevant advertisements and verify that the content of the advertisements complies with applicable PRC laws and regulations. Prior to distributing advertisements that are subject to government censorship and approval, we are obligated to verify that such censorship has been performed and approval has been obtained. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information.

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In circumstances involving serious violations, the State Administration for Industry and Commerce, or the SAIC, or its local branches may revoke violators' licenses or permits for their advertising business operations.

To fulfill these monitoring functions specified by the PRC laws and regulations set forth above, we employ several measures. Our advertising contracts require that all advertising agencies or advertisers that contract with us: (i) must examine the advertising content provided to us to ensure that such content is truthful, accurate and in full compliance with PRC laws and regulations; (ii) indemnify us for any liabilities arising from such advertising content; and (iii) provide proof of governmental approval if an advertisement is subject to special government review. In addition, a team of our employees reviews all advertising materials to ensure the content does not violate relevant laws and regulations before displaying such advertisements. However, we cannot assure you that all the content contained in such advertisements is true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the application of these laws and regulations. In addition, in light of our broad base of advertisers and our plan to continue working with more brand advertisers of various products and services in the future, we are exposed to more risks of violation than ever before. If we are found to be in violation of applicable PRC advertising laws and regulations in the future, we may be subject to penalties and our reputation may be harmed, which may have a material and adverse effect on our business, financial condition and results of operations.

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

Since the inception of our business, we granted share options to various employees, key personnel and other non-employees to incentivize performance and align their interests with ours. As of December 31, 2010, options to purchase a total of 28,127,770 common shares of our company were outstanding. We adopted a share incentive plan, or the 2010 Plan, on December 30, 2010. In March and April 2011, we granted options to purchase 1,434,416 common shares to our employees. See "Management Share incentive plans" for detailed discussion. After the completion of this offering, we will issue the equivalent number of Class A common shares upon the vesting and exercise of these options. We believe the granting of share options 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. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

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

Our success depends on the continuous efforts and services of Mr. Sean Shenglong Zou, our co-founder, chairman and chief executive officer, and other members of our senior management team. We have a stable senior management team in which most of the members have been with us for more than three years. If however, one or more of our executives or other key personnel are unable or unwilling to continue to provide services to us, we may not be able to find suitable replacements easily or at all. Competition for management and key personnel in our industry is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our executives or key personnel, or attract and retain

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experienced executives or key personnel in the future. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose advertisers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement and non-compete agreements with us. However, if any dispute arises between us and our executives or key employees, these agreements may not be enforceable in China, where these executives and key employees reside, in light of uncertainties with China's legal system.

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

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

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

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

diversion of our management's attention and other resources from our existing business;

our inability to maintain the key business relationships and the reputation of the businesses we acquire or invest in;

our inability to retain key personnel of the acquired or invested company;

uncertainty of entry into markets in which we have limited or no prior experience and in which competitors have stronger market positions;

failure to comply with laws and regulations as well as industry or technical standards of the markets into which we expand;

our dependence on unfamiliar affiliates and partners of the companies we acquire or invest in;

unsatisfactory performance of the businesses we acquire or invest in;

our responsibility for the liabilities associated with the businesses we acquire, including those that we may not anticipate; and

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our inability to maintain internal standards, controls, procedures and policies.

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

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

Our business, financial condition and results of operations may be adversely affected by the downturn in the global or Chinese economy.

The global financial markets have experienced significant disruptions since 2008 and the effect of the crisis persisted in 2009. China's economy has also faced challenges. To the extent that there have been improvements in some areas, it is uncertain whether such recovery is sustainable. Since we derived, and expect to continue to derive, the majority of our revenues from online advertising in China and the advertising industry is particularly sensitive to economic downturns, our business and prospects may be affected by economic conditions in China. A slowdown in China's economy may lead to a reduced amount of subscribers or advertising activities, which could materially and adversely affect our financial condition and results of operations.

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

The successful operation of our business depends on the performance of the internet infrastructure and telecommunications networks in China. In China, almost all access to the internet is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision of the MIIT. Moreover, we have entered into contracts with various subsidiaries of a limited number of telecommunications service providers in each province for network-related services. On the one hand, if the internet industry in China does not grow as quickly as expected, our business and operations will be negatively affected. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the telecommunications networks provided by telecommunications service providers. Our network and website regularly serve a large number of users and advertisers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our website. However, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. If internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed. On the other hand, if the internet industry grows faster than expected and we cannot react to the market demands in a timely manner in terms of our research and development effort, the user experience and the attractiveness of our services may be harmed, which will negatively impact our business and results of operations.

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

We will be subject to reporting obligations under the U.S. securities laws after this offering. Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future. Prior to this offering, we have been a private company and have had limited accounting personnel and other resources with which to address our internal control over financial reporting. In preparing our consolidated financial statements, we and our independent registered public accounting firm identified one material weakness, one significant deficiency and other control deficiencies, each as defined in the standards established by U.S. Public Company Accounting Oversight Board, in our internal control over financial reporting as of December 31, 2010.

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

Upon completion of this offering, we will become subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act, or Section 404, will require that we include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2012. In addition, beginning at the same time, our independent registered public accounting firm must report on the effectiveness of our internal control over financial reporting unless the aggregate market value of our shares held by non-affiliates is less than US\$75.0 million as of June 30, 2012 and on the same date of subsequent years. If we fail to timely achieve and maintain the adequacy of our internal controls, our management and our independent registered public accounting firm may conclude that our internal control over financial reporting is not effective. This could adversely impact the market price of our ADSs due to a loss of investor confidence in the reliability of our reporting processes. We will need to incur costs and use management and other resources in order to comply with Section 404.

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We have limited business insurance coverage.

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

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

Our business operations could be materially and adversely affected by the occurrence of natural disasters such as earthquakes or the outbreak of health epidemics such as the avian flu in China. In the last decade, China suffered natural disasters including large-scale earthquakes and flooding as well as health epidemics related to the outbreak of avian flu and severe acute respiratory syndrome, or SARS. In May 2008, for example, a deadly earthquake took place in China's Sichuan province that displaced millions, and in April 2009, an outbreak of the H1N1 virus, also commonly referred to as "swine flu," occurred in Mexico and spread to other countries, including China. If more large-scale natural disasters and health epidemics were to affect China, they could adversely affect economic activity in China and our business and results of operations.

Risks related to our corporate structure

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

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in internet businesses, including the provision of online video and online advertising services. Specifically, 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 Giganology Shenzhen, our wholly-owned PRC subsidiary, and Shenzhen Xunlei and its shareholders. Shenzhen Xunlei holds the licenses and permits necessary to conduct our resource discovery network, online video, online advertising, online games and related businesses in China and hold various operating subsidiaries that conduct a majority of our operations in China. Our contractual arrangements with Shenzhen Xunlei and its shareholders enable us to exercise effective control over Shenzhen Xunlei and Shenzhen Xunlei's operating subsidiaries and hence treat them as our consolidated entities and consolidate their results. For a detailed discussion of these contractual arrangements, see "Corporate history and structure."

We cannot assure you, however, that we will be able to enforce these contracts. Although we believe we are in compliance with current PRC regulations, we cannot assure you that the PRC

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

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

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

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

Shenzhen Xunlei or its shareholders may fail to take certain actions required for our business or follow our instructions despite their contractual obligations to do so. If they fail to perform their obligations under their respective agreements with us, we may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, which may not be effective.

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All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in certain other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements, which may make it difficult to exert effective control over our consolidated affiliated entities, and our ability to conduct our business may be adversely affected.

Contractual arrangements with our consolidated affiliated entities may result in adverse tax consequences to us.

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

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

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

As a director and executive officer of our company, Mr. Zou and Mr. Cheng each has a duty of loyalty and care to us under Cayman Islands law. We are not aware that other publicly listed companies in China with a similar corporate and ownership structure as ours have brought conflicts of interests claims against the shareholders of their respective consolidated affiliated entities. However, we cannot assure you that when conflicts arise, the shareholders of Shenzhen Xunlei will act in the best interests of our company or that conflicts will be resolved in our favor. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of Shenzhen Xunlei, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

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

We are a holding company, and in the future, we may rely principally on dividends and other distributions on equity paid by our wholly-owned PRC subsidiary, Giganology Shenzhen, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If Giganology Shenzhen incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements Giganology Shenzhen currently has in place with Shenzhen Xunlei, our consolidated affiliated entity, in a manner that would materially and adversely affect its ability to pay dividends and other distributions to us.

Under PRC laws and regulations, Giganology Shenzhen, as a wholly foreign-owned enterprise in the PRC, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises such as Giganology Shenzhen are required to set aside at least 10% of their accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of their respective registered capital. At their discretion, wholly foreign-owned enterprises may allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. Any limitation on the ability of Giganology Shenzhen to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See also " Risks related to doing business in China Our global income may be subject to PRC taxes under the PRC Enterprise Income Tax Law, which would have a material adverse effect on our results of operations."

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

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

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

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loans by us to our PRC subsidiary, which is a foreign-invested enterprise, to finance its activities cannot exceed statutory limits and must be registered with the PRC State Administration of Foreign Exchange, or SAFE, or its local branches; and

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

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

Risks related to doing business in China

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

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

The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through

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allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

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

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

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

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual or tort rights. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us.

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

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

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our intellectual property rights, which could adversely affect our revenues and competitive position.

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

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

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

There are uncertainties relating to the regulation of the internet business in China, including evolving licensing practices. This means that permits, licenses or operations at some of our companies may be subject to challenge, or we may fail to obtain permits or licenses that may be deemed necessary for our operations or we may not be able to obtain or renew certain permits or licenses. If we fail to maintain any of these required licenses or approvals, we may be subject to various penalties, including fines and discontinuation of or restriction on our operations. Any such disruption in our business operations may have a material and adverse effect on our results of operations.

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

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. For example, in September 2009, GAPP and the National Office of Combating Pornography and Illegal Publications jointly published a notice, or Circular 13, which expressly prohibits foreign investors from participating in internet game operating business via wholly owned, equity joint venture or cooperative joint venture investments in China, and from controlling and participating in such businesses directly or indirectly through contractual or technical support arrangements. Other government agencies with substantial regulatory authority over online game operations and foreign investment entities in China, such as the MIIT and the MOC, did not join GAPP in issuing Circular 13. While Circular 13 is applicable to us and our online game business on an overall basis, to date, GAPP has not issued any interpretation of Circular 13 and,

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to our knowledge, has not taken any enforcement action under Circular 13 against any company that relies on contractual arrangements with affiliated entities to operate online games in China. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain any new licenses required under any new laws or regulations. There are also risks that we may be found to violate the existing or future laws and regulations given the uncertainty and complexity of China's regulation of internet business.

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

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

As these regulations are relatively new and subject to interpretation by the relevant authorities, it may not be possible for us to determine in all cases the type of content that could result in liability for us. In addition, we may not be able to control or restrict all of the content generated or placed on our network by our users, despite our attempt to monitor such content. To the extent that regulatory authorities find any portion of our content on our network or website objectionable or requiring any license or permit that we have not obtained, they may require us to limit or eliminate the dissemination of such information or otherwise curtail the nature of such content, and keep records and report to relevant authorities, which may reduce our user traffic. In addition, we may be subject to significant penalties for violations of those regulations arising from prohibited content displayed on, retrieved from or uploaded to our network or website, including a suspension or shutdown of our operations. Our reputation among users and advertisers may also be adversely affected. This would have a material adverse effect on our financial condition and results of operations.

Intensified government regulation of internet cafes could restrict our ability to maintain or increase user traffic to our Xunlei Kankan website or the number of users for our online games.

The PRC government has tightened its regulation of internet cafes in recent years. In particular, a large number of unlicensed internet cafes have been closed. In addition, the PRC government has imposed higher capital and facility requirements for the establishment of internet cafes. Furthermore, the PRC government's policy, which encourages the development of a limited number of national and regional internet cafe chains and discourages the establishment of

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independent internet cafes, may slow down the growth of internet cafes in China. In June 2002, the Ministry of Culture, together with other government authorities, issued a joint notice, and in February 2004, the State Administration for Industry and Commerce issued another notice, suspending the issuance of new Internet cafe licenses. In May 2007, the State Administration for Industry and Commerce reiterated its position not to register any new Internet cafes in 2007. In 2008 and 2009, the Ministry of Culture, the State Administration for Industry and Commerce and other relevant government authorities, individually or jointly, issued several notices that provide various ways to strengthen the regulation of internet cafes, including investigating and punishing internet cafes that accept minors, cracking down on internet cafes without sufficient and valid licenses, limiting the total number of internet cafes and approving internet cafes within the planning made by relevant authorities, screening unlawful and adverse games and websites, and improving the coordination of regulation over internet cafes and online games. So long as internet cafes are one of the main venues for our users to access our website or online games, any reduction in the number, or any slowdown in the growth, of internet cafes in China could limit our ability to maintain or increase user traffic to our Xunlei Kankan website or the number of users for our online games.

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

Fluctuation in the value of the Renminbi may have a material adverse effect on the value of your investment. The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under this policy, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For almost two years after reaching a high against the U.S. dollar in July 2008, the Renminbi traded within a narrow band against the U.S. dollar, remaining within 1% of its July 2008 high. As a consequence, the Renminbi fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. In June 2010, the PRC government announced that it would increase Renminbi exchange rate flexibility and since that time the Renminbi has gradually appreciated against the U.S. dollar. However, it remains unclear how this flexibility might be implemented. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in greater fluctuation of the Renminbi against the U.S. dollar.

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

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company and the dividends we may pay in the future, if any, all of which may have a material adverse effect on the prices of our ADSs.

Limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. We did not enter into any forward contracts to hedge our exposure to Renminbi-U.S. dollar exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

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

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our wholly-owned PRC subsidiary, Giganology Shenzhen, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with appropriate government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our subsidiary in China may be used to pay dividends by our PRC subsidiary to our company through Giganology Shenzhen and pay employees of our PRC subsidiary who are located outside China in a currency other than the Renminbi. With prior approval from SAFE, cash generated from the operations of our PRC subsidiary and affiliated entities may be used to pay off debt in a currency other than the Renminbi owed by our subsidiaries and affiliated entities to entities outside China, and make other capital expenditures outside China in a currency other than the Renminbi. If our consolidated affiliated entities liquidate, the proceeds from the liquidation of their assets may be used outside of the PRC or be given to investors who are not PRC nationals. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

The approval of the China Securities Regulatory Commission may be required in connection with this offering under a regulation adopted in August 2006, and, if required, we cannot assure you that we will be able to obtain such approval.

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or CSRC, promulgated the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective on September 8, 2006 and was amended on June 22, 2009. This regulation, among other things, requires offshore special purpose vehicles, or SPVs, formed for the purpose of an overseas listing and controlled by PRC

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companies or individuals, to obtain CSRC approval prior to listing their securities on an overseas stock exchange. The application of this regulation remains unclear. Our PRC legal counsel has advised us that, based on their understanding of the current PRC laws, rules and regulations:

CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this regulation; and

given that Giganology Shenzhen was established before September 8, 2006, the effective date of this regulation, that we have not acquired any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are our beneficial owners after the effective date of the M&A Rules and that no provision in this regulation clearly classifies contractual arrangements as a type of transaction subject to this regulation, we are not required to submit an application to CSRC for its approval of the listing and trading of our ADSs on the NASDAQ Global Select Market.

Because there has been no official interpretation or clarification of this regulation since its adoption, there is uncertainty as to how this regulation will be interpreted or implemented. If it is determined that the CSRC approval is required for this offering, we may face sanctions by CSRC or other PRC regulatory agencies for failure to seek the CSRC approval for this offering. These sanctions may include fines and penalties on our operations in the PRC (although to our knowledge, no definitive rules or interpretations have been issued to determine or quantify such fines or penalties), delays or restrictions on the repatriation of the proceeds from this offering into the PRC, restrictions on or prohibition of the payments or remittance of dividends by our PRC subsidiary, or other actions that may have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs. CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable to us, to halt this offering before the settlement and delivery of the ADSs that we are offering. Consequently, if you engage in market trading or other activities in anticipation of and prior to the settlement and delivery of the ADSs we are offering, you would be doing so at the risk that the settlement and delivery may not occur.

Recently enacted regulations in China may make it more difficult for us to pursue growth through acquisitions.

Among other things, the regulation discussed in the preceding risk factor established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council on August 3, 2008, were triggered.

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

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

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

These foreign exchange regulations provide that PRC residents include both PRC citizens and individuals who are non-PRC citizens but primarily reside in the PRC due to their economic ties to China. We have requested PRC residents holding direct or indirect interest in our company to our knowledge to make the necessary applications, filings and amendments as required under SAFE regulations. Mr. Sean Shenglong Zou, Mr. Hao Cheng and Ms. Fang Wang have registered with the local SAFE branch in relation to our 2005 private financing as required under the SAFE regulations and have completed the amendment registration in relation to our 2006 private financing and their ownership changes. In addition, Mr. Sean Shenglong Zou, Mr. Hao Cheng and Ms. Fang Wang are in the process of applying for the relevant amendment registrations with the local SAFE branch in relation to our series C preferred share financing and other recent share transfers and issuance in our company in April 2011 and their respective offshore ownership changes under the SAFE regulations upon the completion of such financing. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurances that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by SAFE regulations. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements under SAFE regulations may subject such PRC residents or our PRC subsidiary to fines and legal sanctions and may also limit our ability to raise additional financing and contribute additional capital into or provide loans to (including using the proceeds from this offering) our PRC subsidiary, limit our PRC subsidiary's ability to pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

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Furthermore, because of the uncertainty over how the SAFE regulations will be interpreted and implemented, and how SAFE will apply them to us, we cannot predict how these regulations will affect our business operations or future strategies. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

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

In December 2006, the People's Bank of China promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, which set forth the respective requirements for foreign exchange transactions by individuals (both PRC or non-PRC citizens) under either the current account or the capital account. In January 2007, SAFE issued implementing rules for the Administrative Measures of Foreign Exchange Matters for Individual, which, among other things, specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas publicly-listed company. In March 2007, SAFE promulgated the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plan or Stock Option Plan of Overseas-Listed Company, or the Stock Option Rules. Under these rules, PRC citizens who participate in an employee stock ownership plan or a stock option plan in an overseas publicly-listed company are required to register with SAFE and complete certain other procedures. For participants of an employee stock ownership plan, an overseas custodian bank should be retained by the PRC agent, which could be the PRC subsidiary of such overseas publicly-listed company, to hold on trusteeship all overseas assets held by such participants under the employee share ownership plan. In the case of a stock option plan, the PRC agent is required to retain a financial institution with stock brokerage qualification at the place where the overseas publicly-listed company is listed or a qualified institution designated by the overseas publicly-listed company to handle matters in connection with the exercise or sale of stock options for the stock option plan participants. For participants who had already participated in an employee stock ownership plan or stock option plan before the date of the Stock Option Rules, the Stock Option Rules require their PRC employers or PRC agents to complete the relevant formalities within three months of the date of this rule. We and our PRC citizen employees who participate in an employee stock ownership plan or a stock option plan will be subject to these regulations when our company becomes a publicly-listed company in the United States. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and other legal or administrative sanctions. See "Regulation Regulations on employee stock options plan."

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

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the State Administration of Taxation, or the SAT, on December 10, 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-resident enterprise, being the transferor, shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term "Indirect Transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise remain unclear. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Circular 698 may be determined by the tax authorities to be applicable to our private equity financing transactions where non-resident investors were involved, if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-resident investors may become at risk of being taxed under SAT Circular 698 and may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we should not be taxed under SAT Circular 698, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors' investments in us.

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

China passed a new PRC Enterprise Income Tax Law, or the New EIT Law, and its implementation rules, both of which became effective on January 1, 2008. The New EIT Law significantly curtails tax incentives granted to foreign-invested enterprises under the PRC Enterprise Income Tax Law concerning Foreign-Invested Enterprises and Foreign Enterprises, or the Old EIT Law, which was effective prior to January 1, 2008. The New EIT Law, however, (i) reduces the statutory rate of the enterprise income tax from 33% to 25%, (ii) permits

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companies established before March 16, 2007 to continue to enjoy their existing tax incentives, adjusted by certain transitional phase-out rules set forth in the Circular to Implementation of the Transitional Preferential Policies for the Enterprise Income Tax promulgated by the State Council on December 26, 2007, and (iii) introduces new tax incentives, subject to various qualification criteria. Pursuant to the circular, the transitional income tax rates for us and our wholly-owned subsidiary established in the Shenzhen Special Economic Zone before March 16, 2007 are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively. In addition, local governments have adopted incentives to encourage the development of technology companies. As approved by the relevant local tax authority, our wholly-owned subsidiary, Giganology Shenzhen, and our consolidated affiliated entity, Shenzhen Xunlei, were further exempt from enterprise income tax from the first year of profitable operation and are subject to phase-out tax reduction thereafter. Both Giganology Shenzhen and Shenzhen Xunlei currently benefit from the tax incentives. See "Management's discussion and analysis of financial condition and results of operation Taxation". We also benefited from government incentives in the form of cash subsidies in 2009 and 2010.

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

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

Under the New EIT Law and its implementation rules, which became effective in January 2008, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise." On April 22, 2009, the SAT issued a circular, or SAT Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. See "Regulation Regulations on Tax PRC Enterprise Income Tax." Although SAT Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the determining criteria set forth in the SAT Circular 82 may reflect the SAT's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises.

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

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

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

The enforcement of the Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and our results of operations.

On June 29, 2007, the Standing Committee of the National People's Congress of China enacted the Labor Contract Law, which became effective on January 1, 2008. The Labor Contract Law introduces specific provisions related to fixed-term employment contracts, part-time employment, probation, consultation with labor union and employee assemblies, employment without a written contract, dismissal of employees, severance, and collective bargaining, which together represent enhanced enforcement of labor laws and regulations. According to the Labor Contract Law, an employer is obliged to sign an unlimited-term labor contract with any employee who has worked for the employer for ten consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract must have an unlimited term, with certain exceptions. The employer must also pay severance to an employee in nearly all instances where a labor contract, including a contract with an unlimited term, is terminated or expires. In addition, the government has continued to introduce various new labor-related regulations after the Labor Contract Law. Among other things, new annual leave requirements mandate that annual leave ranging from five to 15 days is available to nearly all employees and further require that the employer compensate an employee for any annual leave days the employee is unable to take in the amount of three times his daily salary, subject to certain exceptions. As a result of these new regulations designed to enhance labor protection, our labor costs are expected to increase. In addition, as the interpretation and implementation of these new regulations are still evolving, we cannot assure you that our employment practice will at all

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times be deemed in full compliance with the new regulations. If we are subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and results of operations may be adversely affected.

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

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

Risks related to this offering

There has been no public market for our shares or ADSs prior to this offering, and you may not be able to resell our ADSs at or above the price you paid, or at all.

Prior to this initial public offering, there has been no public market for our shares or ADSs. We will apply for our ADSs to be listed on the NASDAQ Global Select Market. Our common shares will not be listed on any exchange or quoted for trading on any over-the-counter trading system. If an active trading market for our ADSs does not develop after this offering, the market price and liquidity of our ADSs will be materially and adversely affected.

Negotiations with the underwriters will determine the initial public offering price for our ADSs which may bear no relationship to their market price after the initial public offering. We cannot assure you that an active trading market for our ADSs will develop or that the market price of our ADSs will not decline below the initial public offering price.

The market price for our ADSs may be volatile.

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

regulatory developments affecting us, our advertisers or our industry;

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announcements of studies and reports relating to our services or those of our competitors;

changes in the economic performance or market valuations of other internet companies in China;

actual or anticipated fluctuations in our quarterly results of operations and changes of our expected results;

changes in financial estimates by securities research analysts;

conditions in the internet or online advertising industry in China;

announcements by us or our competitors of new services, acquisitions, strategic relationships, joint ventures or capital commitments;

additions to or departures of our senior management;

fluctuations of exchange rates between the Renminbi and the U.S. dollar;

release or expiry of lock-up or other transfer restrictions on our outstanding shares or ADSs; and

sales or perceived potential sales of additional shares or ADSs.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

Because our initial public offering price is substantially higher than our net tangible book value per share, you will experience immediate and substantial dilution.

If you purchase ADSs in this offering, you will pay more for your ADSs than the amount paid by our existing shareholders for their common shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately US\$12.35 per AD