

Xunlei Ltd  
Form F-1/A  
July 18, 2011

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As filed with the Securities and Exchange Commission on July 18, 2011

Registration No. 333-174782

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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Amendment No. 3  
To  
**FORM F-1**  
REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933

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**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)*

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**Law Debenture Corporate Services Inc.  
400 Madison Avenue, 4th Floor  
New York, New York 10017  
(1-212) 750-6474**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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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.  \_\_\_\_\_

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#### CALCULATION OF REGISTRATION FEE

<b>Title of each class of securities to be registered(1)</b>	<b>Amount to be registered</b>	<b>Proposed maximum offering price per share</b>	<b>Proposed maximum aggregate offering price(2)(3)</b>	<b>Amount of registration fee</b>
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. 333-175325). 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 18, 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."

	<b>Per ADS</b>	<b>Total</b>
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.

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\$10.0 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. 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 of 1933, as amended. The investor has agreed with the underwriters not to 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.

**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:

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(1) Shenzhen Xunlei is our consolidated affiliated entity. 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 respectively own 76.0%, 8.3%, 8.3%, 6.7% and 0.7% of Shenzhen Xunlei's equity interests.

(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.



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Investors should contact us for any inquiries through the address and telephone number of our principal executive offices. Our website is [www.xunlei.com](http://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 July 8, 2011, the noon buying rate set forth in the H.10 statistical release of the Federal

Reserve Board was RMB6.4645 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\$10.0 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; The number of preferred shares that will be converted into Class A and Class B common shares immediately after this offering also assumes the conversion of series C preferred shares that were issued after March 31, 2011, the most recent balance sheet date included in the prospectus;

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

include 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;

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\$1.32 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 our Class A common shares represented by the ADSs offered 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	2010 (unaudited)	2011 (unaudited)
<b>Summary consolidated statement of operations data:</b>					
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 <sup>(1)</sup> :					
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