

To the Members of the Special Committee and Board of Directors of Jiayuan.com,

Heng Ren Investments LP believes the offer by Vast Profit Holdings Ltd. to buy out shareholders of Jiayuan.com is priced significantly below fair value, and massively undervalues the company to the detriment of shareholders.

During this process Heng Ren, an investment fund and a shareholder of Jiayuan.com (Nasdaq:DATE), requests Jiayuan.com's founders, its Board of Directors, the Special Committee appointed by the company to evaluate the proposal, and the company's management all be mindful of their fiduciary duty, and the required disclosures related to the proposed buyout under applicable laws.

Heng Ren understands the consideration to buy out Jiayuan.com's shareholders to end its period as a public company in the U.S. What is unreasonable is the offering price from Vast Profit Holdings Ltd. ("Vast Profit"), of \$5.37 per American Depositary Share ("per share"). This offer is less than half of Heng Ren's valuation of Jiayuan.com of \$11.74 per share. (Note in its per share calculations Heng Ren conservatively used a fully-diluted number of shares, ADS, for a total of 33.4 million).

Vast Profit's offer appears to be a very opportunistic proposal that is disadvantageous to shareholders. The offer came with Jiayuan.com's stock near a 52-week low and depressed after a difficult 2014. After its initial public offering (IPO) less than four years ago at \$11.00 per share, Vast Profit, an entity that announced it acquired 19.6% of the company, including the recently departed co-Chairman's stake, is offering to buy the company from shareholders at \$5.37 per share - a 51% discount.

For patient shareholders, the offer of a 15.7% premium from the stock's closing price the day before the proposal was announced, with Jiayuan.com's stock struggling off its 52-week low after more than halving from its IPO price, seems wrong.

Heng Ren expects other shareholders will agree with our opinion that Vast Profit's current "going private" offer needs to be increased significantly. If a higher offer does not materialize, the Special Committee should recommend Jiayuan.com's Board of Directors reject Vast Profit's offer because it is too low.

In Heng Ren's opinion, Jiayuan.com is a solid and promising company that has not yet realized its true value. China is the largest market of internet users in the world, and Jiayuan.com is China's largest online dating service. It is consistently ranked number one in user time spent on its site and market share. Vast Profit's low bid does not recognize the value of a national leader in an industry growing at a double-digit rate annually in China with:

- China's largest online dating service with 5.4 million monthly active users.
- User growth that has more than doubled since Jiayuan.com's 2011 IPO.
- A profitable and cash flow positive online business since 2009.
- Net cash on its balance sheet of \$70.3 million that represents approximately 42% of Jiayuan.com's market capitalization (all price data in this letter is as of March 27, 2015).
- Strong financial flexibility with a history of paying dividends to shareholders.

In this letter we outline our rationale and make the case for why a significantly higher offering price is justified for the proposed “going private” transaction using three valuation methods for Jiayuan.com:

- 1) Peer Comparison Based on Enterprise Value
- 2) Discounted Cash Flow (DCF)
- 3) Leveraged Buyout (LBO)

Heng Ren’s Valuation Appraisal

Using the three methodologies to derive a per share valuation, Heng Ren assigned weightings of 30% to the LBO valuation, 30% to the DCF valuation, and 40% to the peer comparison. While Heng Ren considers the DCF and LBO models important, the peer comparison method takes into account current market conditions in determining valuations.

Method	Weighting	Per Share Value
Peer Comparison	40%	\$8.42
DCF	30%	\$15.78
LBO	30%	\$12.14
<b>Per Share Value of Jiayuan.com</b>		<b>\$11.74</b>

After applying these weightings, Heng Ren has determined a minimum per share price valuation for Jiayuan.com is \$11.74, a 119% premium to the offer price, is reasonable.

1) Peer Comparison Based on Enterprise Value

Result = \$8.42 per share; 57% above Vast Profit’s offer price.

Jiayuan.com had \$70.3 million in cash on its balance sheet as of December 31, 2014, and no debt. If we remove the cash, Jiayuan.com’s enterprise value is \$95.4 million. We believe because of the sudden collapse of Jiayuan.com’s profitability in 2014, for valuation it is more prudent and responsible to use the historical average of its EBITDA (Earnings Before Interest, Tax and Depreciation and Amortization) to accurately value the company.

Since its 2011 IPO, Jiayuan.com’s average annual EBITDA is \$9.2 million. This historical average includes the unusually low \$0.4 million in EBITDA in 2014. At this level of EBITDA, Vast Profit’s offer is only 10.4x EV/EBITDA.

This is in stark contrast to U.S. –listed internet stocks like SINA Corp. (Nasdaq: SINA) and Sohu.com Inc. (Nasdaq: SOHU), that demand EV/EBITDA multiples of 24.2x and 22.8x respectively.

Below is a valuation of peers for comparison with Jiayuan.com, based on 2014 financial statements:

Ticker	Company	Enterprise Value (MM)	EBITDA (MM)	EBITDA Margin	EV/EBITDA
SINA	SINA Corp.	\$876	\$36	4.8%	24.2x
SOHU	Sohu.com Inc.	\$1,270	\$56	3.3%	22.8x
WUBA	58.com	\$3,040	\$25	10.7%	123.3x
LOV	Spark	\$82	\$1.0	2.1%	62.5x
FB	Facebook	\$212,980	\$6,220	49.9%	34.2x
DATE	Jiayuan.com	\$95.4	\$9.2*	9.3%	10.4x

As of March 27<sup>th</sup> 2015. Source: SEC Filings

\*Average EBITDA 2011-2014

Note if we exclude Jiayuan.com's unusually low 2014 EBITDA of US\$0.4 million, the average annual EBITDA since IPO would be a more conservative \$12.1 million. This would put Vast Profit's offer to shareholders at an extraordinarily low EV/EBITDA multiple of 7.9x.

In deriving a per share price via the peer comparison method, Heng Ren used the average EV/EBITDA peer multiple of 23.5x. This resulted in an implied enterprise value for Jiayuan.com of \$216.2 million, or \$6.47 per share, based on Jiayuan.com's average annual EBITDA since its IPO of \$9.2 million.

Heng Ren then applied a 30% control premium to Jiayuan.com's cash flows. This premium is based on a 2010 study of invested capital control premiums by *Business Valuation Resources* (BVR) of the U.S. This authoritative industry study showed the average control premium paid, based on 3,659 transactions closed between 2000-10 in the U.S., was 28.4%.

Heng Ren values 100% of Jiayuan.com versus one share of publicly traded stock, and therefore a control premium of 30% is applied. This premium also takes into account the fact that current shareholders will not be able to reap the profits of a future sale. After taking into account this premium, the value calculated by Heng Ren via this peer comparison method is \$8.42 per share.

	15.0x	20.0x	23.5x	25.0x
Enterprise Value*	\$5.37	\$7.16	\$8.42	\$8.95

(\*Includes +30% Control Premium)

It is believed part of Vast Profit's plan is to re-list Jiayuan.com with an IPO in China on the Shanghai Stock Exchange or Shenzhen Stock Exchange. If that occurs, the transaction would indeed enrich Vast Profit at the expense of current shareholders who are being pushed to sell their stock to them 51% below Jiayuan.com's Nasdaq IPO price.

The current average EV/EBITDA ratio for Jiayuan.com's internet peers trading on China's domestic stock markets is over 240x. Although Heng Ren believes such a high multiple is unsustainable, it points to the potential magnitude of upside Vast Profit is envisioning – unfortunately without current shareholders like us. Thus we believe the control premium is a mechanism to share this future value with excluded investors.

Although Jiayuan.com has had its share of challenges in the past year, the value of the company has not been materially impaired – nor should it be valued as such.

## 2) Discounted Cash Flow

Result = \$15.78 per share; 194% above Vast Profit's offer price.

Heng Ren has also utilized a discounted cash flow (DCF) model to value Jiayuan.com. A DCF model assesses a company's value based on all of the cash that the company could make available to investors. Our assumptions utilize conservative growth rates for the average monthly paying users, and result in 1,871,342 average monthly paying users in 2018. This growth rate equates to revenues of \$85.5million for *Online Services* in 2018.

	2011	2012	2013	2014	2015E	2016E	2017E	2018E
Average monthly paying users	1,111,060	1,224,890	1,339,258	1,510,918	1,571,354	1,649,922	1,748,917	1,871,342
% growth		10%	9%	13%	4%	5%	6%	7%
Annual Revenues, USD (m)	\$44.50	\$57.60	\$68.80	\$68.60	\$71.80	\$75.30	\$79.90	\$85.50

Heng Ren projects that the *Personal Matchmaking Service* will grow to \$139 million by 2018 and dominate Jiayuan.com's revenue composition. While the cost of sales for the *Personal Matchmaking Service* was 74% in 2014 due to increases in commissions, Heng Ren believes Jiayuan.com will be able to better control costs in the future and will see *Personal Matchmaking Service's* cost of sales decrease to 55% of sales by 2018.

Revenue from *Events and Other Services* revenue is estimated to reach \$6.5 million by 2018. In addition to the revenue growth, Heng Ren believes that the *Events and Other Services* segment will be able to decrease its cost of sales to 43% of sales by 2018 versus 47% of sales in 2014.

These revenue improvements, coupled with Jiayuan.com continuing to control operating costs, could result in the company increasing its operating margins from 0.4% in 2014 to 10.6% in 2018 – and yet still below its recent high of 12.6% in 2012.

In deriving a per share value from our DCF analysis, Heng Ren utilized a terminal value based upon Enterprise Value to EBITDA. These multiples ranged from 23x to 27x, with the 23x EV/EBITDA multiple representing the lowest average multiple in the comparable set of peers. Heng Ren utilized this methodology based on the fact that the EV/EBITDA multiple takes into account current market conditions in its valuation.

Additionally, all cash flows were discounted at a Weighted Average Cost of Capital (WACC). Heng Ren initially calculated the current WACC to be 17%, however Heng Ren believes that Jiayuan.com's current capital structure of 100% equity is not sustainable in the long run. Therefore, Heng Ren has applied a capital structure consisting of 85% equity and 15% debt. This resulted in a WACC range of 14% to 16% as a discount rate for all cash flows.

Consistent with our approach to the peer comparison, Heng Ren also applied a 30% control premium to the DCF valuation. After adjusting for this premium, the DCF method results in a per share price value ranging from \$14.25 to \$17.41, or a midpoint of \$15.78. The per share price of the DCF method is significantly higher than that of the peer comparison value due to the fact that the DCF method takes into account Jiayuan.com’s ability to improve its operating margin from nearly zero over the forecast horizon.

		Discount Rate Assumptions for DCF				
		14.0%	14.5%	15.0%	15.5%	16.0%
	23.0x	\$ 15.15	\$ 14.92	\$ 14.69	\$14.47	\$14.25
	24.0	15.71	15.47	15.24	15.01	14.78
Implied Price Per Share (30% Control Premium)	25.0	16.28	16.03	15.78	15.54	15.30
	26.0	16.84	16.58	16.33	16.08	15.83
	27.0	17.41	17.13	16.87	16.61	16.36
	* (EV/EBITDA)					

### 3) Leveraged Buyout (LBO)

Result = \$12.14 per share; 126% above Vast Profit’s offer price.

Heng Ren also utilized a Leveraged Buyout (LBO) valuation model. An LBO valuation is calculated when a sponsor plans to take a company private using a large amount of debt. Heng Ren’s LBO model assumes that in order to purchase Jiayuan.com using this approach, the sponsor will utilize a combination of Jiayuan.com’s current cash, debt, and their own capital.

Heng Ren’s LBO model assumes the sponsor would utilize all of Jiayuan.com’s current cash on hand, except for \$10 million to continue operations. The model then assumes that the sponsor would use their own cash of \$60.3 million toward the purchase. The sponsor would then need to obtain debt in the amount of \$58.9 million to complete the transaction.

Heng Ren’s LBO model projects Jiayuan.com producing \$24.3 million in EBITDA by 2018. Unlike the DCF model, via an LBO the sponsor is able to save costs by no longer being a public company. Heng Ren’s LBO model further assumes that the sponsor would sell Jiayuan.com in 2018 at a multiple of EBITDA. These multiples range from 23x to 27x, similar to the DCF valuation. Heng Ren’s LBO valuation for Jiayuan.com implies a current per share price value of \$12.14, a 126% premium to Vast Profit’s offer price.

LBO Valuation	
Transaction Date	2015/3/27
Purchase Price	\$12.14
<i>Premium to Current Price (\$5.07)</i>	139%
<i>Premium to Offer Price (\$5.37)</i>	126%
Fully Diluted Shares Outstanding	33.4m
Implied Equity Value	\$402.9m

### Heng Ren's Case for a Higher Offer

As long-term and patient shareholders, we don't agree that Jiayuan.com's 2014 difficulty represents a permanent setback or impairment of Jiayuan.com's business model and a dimming outlook, as Vast Profit's low offer price implies. In fact, we believe the opposite.

The long-term opportunity for Jiayuan.com in re-listing in China for a higher valuation, and its promising outlook as a leader in its online market, is something we believe Vast Profit is betting on. However, this will leave current shareholders out in the cold. The current proposal from Vast Profit grossly undervalues the long-term prospects of the company's growth in a market it leads, and which its management is in a position to capitalize on, but has yet to aggressively invest - evident in Jiayuan.com's consistently very high level of cash since its IPO.

The Board of Directors and the Special Committee should be reminded that shareholders are thinking strategically. It is why long-term investors like Heng Ren and others invested in Jiayuan.com in the first place, why we have been patient as its stock market value has more than halved since the IPO, and why we now undertake analysis to prove Jiayuan.com's stock is, through a professional appraisal of its valuation, significantly undervalued by Vast Profit's proposal.

A buyout proposal is not a license to use shareholder funds at a discount, and to take a final and decisive action that blocks patient, long-term shareholders from their fair share of a successful outcome - i.e. the eventual realization of Jiayuan.com's true market value.

In order for this "going-private" transaction to be successful for all shareholders, a significant premium to Jiayuan.com's valuation should be applied. We believe this because many of the current minority shareholders will be unable to rollover their stake, and unable to benefit from the migration to the premium valuations enjoyed in China's domestic market.

Heng Ren recommends the Board of Directors and the Special Committee refrain from allowing Vast Profit to purchase the company from shareholders, with a large amount of shareholders' cash in Jiayuan.com, at the low price that has been offered.

Instead, Heng Ren urges the Special Committee to use our valuation of \$11.74 per share as your guide.

Minority shareholders have patiently endured the risks and difficulties of owning stock in Jiayuan.com, a young company in a new and rapidly changing marketplace. Jiayuan.com needed more time as a public company in the U.S. to effectively assess and address the risks and opportunities in its market, to avoid the biggest pitfalls, and make the most of its growth opportunities.

During this time shareholders have seen the company's management invest our resources to enhance existing services, and continue to introduce new services with a long-term view of growing the value of the company for all shareholders to benefit. Instead, the company's compact they were entrusted with by shareholders is being aborted. More unfortunate is Vast Profit, the new owner of the ex-co-Chairman's stake, seeks to benefit greatly with a proposed offer to buy out shareholders at less than half of fair value, and in the process freeze out current minority investors from benefitting from the long-term investment opportunity.

Again, we request the Board of Directors to decline consideration of Vast Profit's offer at such a low price. If in the future the transaction proves to be a home run for Vast Profit, which we expect could happen, it will be attributed to the decision made by Jiayuan.com's Board of Directors, and the evaluation by its Special Committee. This is a significant risk that needs to be seriously considered, especially if a transaction occurs far below fair value and causes severe opportunity cost and damage to current shareholders of Jiayuan.com.

Sincerely,

Peter Halesworth  
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Heng Ren Investments LP  
Boston, Massachusetts

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